S. HRG. 100-133

DEPARTMENT OF AGRICULTURE'S BUDGET REQUEST FOR 1988

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

FEBRUARY 4, 1987

Printed for the use of the
Committee on Agriculture, Nutrition, and Forestry

U.S. GOVERNMENT PRINTING OFFICE

70-695 WASHINGTON : 1987

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

S161-16

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

PATRICK J. LEAHY, Vermont, *Chairman*

EDWARD ZORINSKY, Nebraska
JOHN MELCHER, Montana
DAVID H. PRYOR, Arkansas
DAVID L. BOREN, Oklahoma
HOWELL HEFLIN, Alabama
TOM HARKIN, Iowa
KENT CONRAD, North Dakota
WYCHE FOWLER, JR., Georgia
THOMAS A. DASCHLE, South Dakota

RICHARD G. LUGAR, Indiana
ROBERT DOLE, Kansas
JESSE HELMS, North Carolina
THAD COCHRAN, Mississippi
RUDY BOSCHWITZ, Minnesota
MITCH McCONNELL, Kentucky
CHRISTOPHER S. "KIT" BOND, Missouri
PETE WILSON, California

CHARLES RIEMENSCHNEIDER, *Staff Director*
JOHN PODESTA, *Chief Counsel*
CHARLES CONNER, *Staff Director for the Minority*
CHRISTINE SARCONE, *Chief Clerk*

CONTENTS

	Page
Leahy, Hon. Patrick J., a U.S. Senator from Vermont, opening statement	1
Lugar, Hon. Richard G., a U.S. Senator from Indiana	3
Bond, Hon. Christopher S., a U.S. Senator from Missouri	4
Harkin, Hon. Tom, a U.S. Senator from Iowa	5
Conrad, Hon. Kent, a U.S. Senator from North Dakota	6
Zorinsky, Hon. Edward, a U.S. Senator from Nebraska	16
Melcher, Hon. John, a U.S. Senator from Montana	23
McConnell, Hon. Mitch, a U.S. Senator from Kentucky	26
Daschle, Hon. Tom, a U.S. Senator from South Dakota	35
Lyng, Hon. Richard E., Secretary, U.S. Department of Agriculture, accompanied by Peter C. Myers, Deputy Secretary, and Stephen B. Dewhurst, Director, Office of Budget and Program Analysis	6
Additional material for the record:	
Leahy, Hon. Patrick J., chairman, Committee on Agriculture, Nutrition, and Forestry, letter dated February 11, 1987, to Secretary Lyng, with enclosed written questions from Senators	39
Questions from Senator Leahy and Secretary Lyng's answers thereto	40
Questions from Senator Heflin and Secretary Lyng's answers thereto	60
Question from Senator Lugar and Secretary Lyng's answer thereto	61

APPENDIX

McConnell, Hon. Mitch, a U.S. Senator from Kentucky, prepared statement	63
Wilson, Hon. Pete, a U.S. Senator from California, prepared statement	64

DEPARTMENT OF AGRICULTURE'S BUDGET REQUEST FOR 1988

WEDNESDAY, FEBRUARY 4, 1987

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The Committee met, pursuant to notice, at 10:05 a.m., in room 385, Russell Senate Office Building, Hon. Patrick J. Leahy (chairman of the committee), presiding.

Present or submitting a statement: Senators Leahy, Zorinsky, Melcher, Pryor, Heflin, Harkin, Conrad, Fowler, Daschle, Lugar, Helms, Cochran, Wilson, McConnell, and Bond.

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

The CHAIRMAN. The Committee on Agriculture, Nutrition, and Forestry will come to order. I note with pleasure the appearance of the Secretary of Agriculture, Secretary Lyng, who is no stranger to this committee.

Note also that we are meeting in a different room. We are in the process of revamping the layout of the Agriculture Committee room—that's where most of our meetings will be—and we are trying to get a horseshoe table. I recall with mixed emotions my first year on the Senate Agriculture Committee with that long table, and with binoculars I could see Hubert Humphrey, Herman Talmadge, Milton Young, Henry Bellmon, and some of the other senior members down at the end of the table. Sometimes I could even hear the witnesses. I hope that when we get a horseshoe table we might be able to do better.

I also welcome Governor Bond, who was having surgery when we had our organizational meeting, and note for you what I said the day of that first meeting: I'm delighted you have chosen to join this Committee, and I think you will be a valuable addition. You come from a part of the country where agriculture is extremely important, and I'm delighted to have you with us.

Senator BOND. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Secretary, what we are especially anxious to learn about is the Administration's proposal for rewriting the price-support programs that we enacted just about a year ago. I remember what we went through in months of work in putting that program together, during one of the longest conference committees I've ever sat on in my 13 years in the Senate.

A couple of months ago we were being told to stay the course and give the law some time to work. Apparently, the policy of the Administration has changed. As I look at these budget numbers I see some fairly significant changes coming, and I'm interested in your reasoning. I feel that there may be dangers in abandoning the current policy without a clearly better alternative.

I think we have to look hard at the farm situation, I think we have to do it soon, and there are some hard facts that tell us why. Farm prices for many of our most important crops are less than half of what they were 6 years ago. These lower prices, in my opinion, have done very little to improve our farm exports. Many of us had counted on lower prices to improve exports, and yet exports are down. And with everything that I hear from trade experts, the outlook for a significant upturn in the near future does not appear good. Hundreds of thousands of farmers have gone out of business during the past 6 years. About a third of our family farms are in deep financial difficulty. There are growing signs that many producers in some parts of the country are going to be unable to find credit for their spring planting this year. Without the income support provided through this farm law, whatever its imperfections—and none of us are claiming the 1985 farm bill is perfect—many more farmers will just go under.

So I'd like to know, how would the Administration's plan to cut farm income by 25 to 33 percent improve the farmers' plight, and how would these kinds of cuts save more farmers from plunging over the brink into bankruptcy? This is very important: How will it bolster lender confidence so we can have some adequate credit during the coming weeks and months?

Of great interest to those Senators, whether on this Committee or on other committees, is how will this policy improve exports?

Our Committee has a difficult and serious task ahead of it, and I want you to know, Mr. Secretary, I am willing to look at any reasonable proposal at a time when even $26 billion a year in Government costs does little more than keep income from slipping even further. Many individual farmers and families continue to be pushed off the land, a matter of concern to all of us here, and, as I note, to you also.

But in looking at the Administration's plan to cut target prices, I think that it is going to hinder, not help, the farm recovery.

The Department of Agriculture also has obligations to nonfarm citizens, not only farm families. It serves those in the small towns whose livelihoods are tied to a robust agriculture. Certainly in rural America—and that's where I come from—the Department of Agriculture is the preeminent part of the President's cabinet. We look to it far more than any other agency or any other department in Government.

It has obligations to consumers, including those who can't afford a proper diet—and, unfortunately, that's still millions and millions of Americans. And it is the chief steward of our valuable yet fragile soil and forest resources.

I look at this budget and I see deep cuts not only in farm income support. I see an immediate or eventual end of Federal farm ownership loans to virtually all rural development and housing programs, and of Federal support of rural electrification and crop in-

surance. I see major retrenchments in agricultural research and extension, in child nutrition, in commodity assistance, and in conservation.

Now, these are programs that have proven track records. Certainly, I know how important they are in rural America. These nutrition programs are vitally important whether you are from rural or urban America.

I don't see serious efforts in the area of export expansion. I'm not saying agriculture should be immune from scrutiny; but whether or not this is the determination of OMB. I see a blind-fold and a meat cleaver when what we need are the tools to perform some very delicate surgery on a very sick patient.

I know that you share this committee's desire to rejuvenate U.S. agriculture and to provide realistic opportunities for rural residents who can't or don't wish to farm.

In all sincerity I invite you and your staff to join us in forging a fair, more cost-effective set of policies that are neither heartless nor mindless. I should also state, as a personal aside, that there has never been a time either before or after I became Chairman of this Committee that I have called you that I haven't found a receptive ear, and someone who is very knowledgeable and very eager to work with me. I have never known you to put partisan differences in the way of seeking solutions. I, for one, am very glad you are the Secretary.

We have some very difficult times ahead. I would not want your job for anything in the world, I must say that, Mr. Secretary. I know there are restraints in the budget, I know there are difficult times ahead, and I hope you will understand if at first we seem to thwart each other on. I would hope you understand that this Committee, on both sides of the aisle, wants to work with you to find solutions to problems that become more and more difficult all the time.

I would yield to the distinguished Ranking Member and my good friend from Indiana.

STATEMENT OF HON. RICHARD G. LUGAR, A U.S. SENATOR FROM INDIANA

Senator LUGAR. Well, thank you very much, Mr. Chairman. Mr. Secretary, let me take this opportunity not only to welcome you but to indicate how enthusiastically I look forward to working with you and all of your associates at the Department of Agriculture. I simply want to offer special congratulations on this occasion for your role in working with your esteemed colleagues in the dispute with the European Community, and the concessions that have been gained with regard to Spain and Portugal in their entries into the European Common Market. This was a watershed event, because never before have there been situations in which new entrants into the European Community agreed to pay compensation. I appreciate that it was a tortuous problem, going all the way to the wall by the end of January—but a very important negotiation, one that I think offers great encouragement to farmers and agribusiness people in this country.

Let me just indicate that during the question period today that I will want to go into more detail on the so-called decoupling propos-

al, or the Zero/92 plan. You have addressed this issue in other public forums, but I am hopeful today that you will make clear that it is a plan for the future as opposed to one that we can anticipate in this current planning season, and the advantages that you perceive at least in that plan, as well as the other Administration proposals.

I, for one, want to sympathetically applaud the work you are doing, the proposal that the President is making, and look forward to hearing your testimony today.

The CHAIRMAN. Are there any other opening statements? Senator Heflin?

Senator HEFLIN. Mr. Chairman, we are in a very important stage of agriculture, particularly the farm credit crisis that we are in. I think that the Department of Agriculture and this Committee should start working together in an endeavor to find some solutions for the farm problems that we've got; they continue to mount, and they are not diminishing at all, and these are real serious problems. If the family farm is going to survive, I think action is going to have to be taken in the next year or the next 2 years; otherwise we are going to see the destruction of the family farm.

Senator MCCONNELL. Mr. Chairman.

The CHAIRMAN. Senator McConnell.

Senator MCCONNELL. I have an opening statement, Mr. Chairman, but I will spare us all and ask that that it be inserted in the record [1] because we are here essentially to hear from the Secretary and I'll not delay that process.

The CHAIRMAN. That's one of the finest speeches ever given by anyone on this Committee, Senator. [Laughter.]

Senator MCCONNELL. I thought you'd like it.

The CHAIRMAN. Senator Bond?

STATEMENT OF HON. CHRISTOPHER S. BOND, A U.S. SENATOR FROM MISSOURI

Senator BOND. Thank you, Mr. Chairman. And despite my colleagues' great start, I'm going to take the opportunity to say to you, sir, that I appreciate very much the warm welcome, I am delighted to be able to attend my first meeting of this Committee. I am looking forward to working with you, Mr. Chairman, with the distinguished Ranking Members, and with our esteemed colleagues on this Committee as we deal with the very difficult questions and challenges facing American agriculture today.

Mr. Secretary, it is a great pleasure for me to have the opportunity to address you in this body. I appreciated your friendship and good advice in the past, and I am sure that working together, this Committee and your Department can deal with the problems facing American agriculture.

During the past year I've had the opportunity to listen very closely to the concerns of farmers, primarily of Missouri, who have told us about the challenges they face.

The one message that I would say that has come through very clear to me is the concern that the Federal Government has too

---

[1] See p. 63 for the prepared statement of Senator McConnell.

often changed the basic rules under which farmers have to operate. Our family farmers in Missouri, and I'm sure elsewhere, are small businessmen; they need a certain degree of stability, a degree of predictability in the programs with which they deal. They have to make planning decisions just as any other businessman on Main Street would make, and, unfortunately, they have seen an agricultural policy in the past 10 years has been anything but stable.

So, I think it's important for us on this Committee, and for the Administration to weigh very carefully the benefits of maintaining programs as opposed to developing new approaches.

I'm concerned particularly about the proposal for cutting target prices by another 10 percent when we've just laid out a plan for certain crop growers for a 5-year period. I agree that we must get the Federal Government out of the business of setting commodity prices, but I feel it must be done gradually. I do not believe that we can yank the rug out from under farmers when we have just told them that they could expect a certain plan of target price supports. At the same time I clearly don't think we should be precluded from looking at ways to improve our current programs. I look forward to hearing your views and suggestions and exploring these options with you. We are anxious to hear your testimony.

The CHAIRMAN. Thank you, Senator Bond. Senator Harkin, I understand you have some guests here today.

STATEMENT OF HON. TOM HARKIN, A U.S. SENATOR FROM IOWA

Senator HARKIN. Mr. Chairman, yes. Just as a way of introducing two guests here today—it's at least my observation, and I think that of many others, that we are not really going to solve our agricultural problems in this country unless and until we can reach meaningful agreements with other producing nations around the world, notably the Europeans.

I believe that things are happening in this country and in those other countries—strong allies, strong friends of ours, that are pushing us towards that kind of agreement, an agreement on getting our oversupply down on all sides—not just on one side, but on all sides, getting the supply down so that we can get our prices up for our producers.

I have two guests who are over here visiting who are very much involved in that process in Europe. The first one is Dr. Louis Eyraud. Dr. Eyraud is a veterinary surgeon from France; he's been a member of the European Parliament since September of 1981; he is vice chairman of the Agricultural Committee of the European Parliament. With him is Eisso Woltjer, who is also a member of the Agriculture Committee, he's from the Netherlands, a noted author who has written a number of books on agriculture. Both of these individuals are greatly interested in how we, working together, can begin to solve the mutual problems that we have of overproduction and low prices.

So, I am just pleased to introduce them—they are standing over here: Dr. Eyraud and Eisso Woltjer, members of the European Parliament, who are here visiting today.

The CHAIRMAN. Gentlemen, we are delighted to have you here today to see how the Senate tries to solve its agricultural problems. Thank you, Senator.

Senator HARKIN. May I just say, Senator, that I look forward to the Secretary's testimony, especially if he would touch upon anything in this area of possible negotiations and agreements with other countries that we might be entering into to solve these problems that we have of oversupply.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Conrad.

STATEMENT OF HON. KENT CONRAD, A U.S. SENATOR FROM NORTH DAKOTA

Senator CONRAD. Very briefly, Mr. Chairman, as Mr. Lyng will recall, we had a discussion along these same lines before the Budget Committee, and I'd like to extend that discussion here today because I am convinced, after a long campaign, much like Senator Bond's, that our central problem is the lack of price, a price that is too low for all of us; that the only way we are going to solve that problem is to redress the imbalance between supply and demand—and that means working on both sides of the equation; that means working on methods of increase demand, that means working on ways to reduce supply.

Obviously if we are going to work on the supply side of the equation—it can't be done in isolation, it can't be done in a vacuum, it can't be done alone—we need to work with the other major producers to reduce supply, to increase demand, so that we can support a price that's reasonable for all of us. I'm not talking about market-sharing—I don't want anybody to misunderstand that we are saying that we want 60 percent of the market and somebody else gets 20 and somebody else gets 12. We are talking about working on the basic underlying economics of the problem that faces agriculture worldwide. It's in all of our interests to do so.

I am very hopeful that we can start down the path together to work with the other major producers to get at the underlying problem that we face.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Now, Secretary Lyng, we eagerly wait for you to explain the magic formula that will solve all our farm problems. It's all yours.

STATEMENT OF HON. RICHARD E. LYNG, SECRETARY, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY PETER C. MYERS, DEPUTY SECRETARY, AND STEPHEN B. DEWHURST, DIRECTOR, OFFICE OF BUDGET AND PROGRAM ANALYSIS

Secretary LYNG. Thank you, Mr. Chairman, Members of the Committee. With me this morning, on my left, is Peter Myers, the Deputy Secretary of Agriculture, and, on my right, Steve Dewhurst, who is the Director of the Office of Budget and Program Analysis at the Department of Agriculture.

I am pleased to appear before you to discuss the programs of the U.S. Department of Agriculture and especially our fiscal 1988

budget proposals, which have been already referred to in some of the opening statements.

Again this year one of the most immediate problems facing the Nation is the budget deficit. The President has submitted a budget for fiscal year 1988 which meets the Gramm-Rudman deficit target of $108 billion. In order to accomplish that, it was necessary to set priorities by deciding which programs need to be maintained, because a Federal role is clearly needed, and which programs should be reduced or shifted to other funding sources. The choices were not easy ones, but they had to be made in order to get the budget under control. The Nation, and particularly agriculture, will benefit greatly as a result of reducing the budget deficit.

The Department has examined the budget from this perspective in developing its proposals for fiscal year 1988. While the President's budget reduces overall USDA program outlays for fiscal year 1988 by about $4 billion from the fiscal year 1987 current estimate, the budget maintains a high-priority emphasis on a range of programs including research, foreign market development, farm support programs, pest and disease programs, conservation, and food assistance. Our budget meets the high-priority needs of agriculture while at the same time being fiscally responsible.

I would like to summarize and comment briefly on some key USDA programs and how they will be affected by the fiscal year 1988 budget.

Spending for commodity price support programs is projected to exceed $21 billion in 1988. This is down from the record level of $25.8 billion which was spent in fiscal year 1986, and the near-record level which is currently estimated for fiscal year 1987. The fiscal year 1988 reduction occurs because: (1) advance payments for the 1987 crops shifted outlays forward from fiscal year 1988 to fiscal year 1987, (2) a larger acreage reduction program is in effect for the 1987 corn which will reduce fiscal year 1988 outlays, and (3) no advance deficiency payments are provided for the 1988 crops. The 1985 Food Security Act, which was projected to cost just over $50 billion for the three fiscal years 1986 through 1988 when it was signed, is now estimated to cost about $72 billion. The costs of farm programs have skyrocketed in recent years and are adding greatly to the budget deficit.

Legislation to reform farm programs as well as to control their cost will be proposed in the near future. These proposals include reductions in statutorily mandated target prices, the elimination of a requirement to plant a program crop in order to receive a deficiency payment, greater discretion in reducing loan rates, and more stringent rules for setting and administering payment limitations. The budget reflects savings from these legislative proposals of over $20 billion during the next five fiscal years. Legislation will also be proposed to lower the price-support level on sugar and provide for direct transition payments to producers to be phased out over the next 5 years.

The budget also requests urgent action to provide the Commodity Credit Corporation with a restoration of borrowing authority of $6.6 billion so that CCC can continue to carry out its program responsibilities for the remainder of fiscal year 1987. For the longer term, an increase in CCC's permanent borrowing limit from the

present $25 billion to $40 billion is being requested so that adequate funding for the price and income support programs will be available during the next several years.

The expansion of U.S. agricultural exports continues among the highest priorities of this Administration, and our budget proposals for fiscal year 1988 in the international area reflect our commitment to that goal. We are proposing that $3 billion of short-term and $500 million of intermediate-term export credit guarantees be made available during fiscal year 1988. Moreover, we will be carrying out other export-promotion activities during fiscal year 1988, such as the Export Enhancement Program and the Targeted Export Assistance Program. We also will be funding the Foreign Agricultural Service and its market development cooperator program at the levels of recent years.

For Public Law 480 food assistance we are proposing a program level of nearly $1.4 billion for fiscal year 1988, which should provide for the shipment of about 7.8 million metric tons of commodities. While in dollar terms this level of programing is somewhat reduced from the level available this year, the volume of Public Law 480 food assistance will continue well above the levels of the late 1970's and early 1980's. During fiscal year 1988, additional food assistance is expected to be provided through Section 416 authority, providing commodities from CCC stocks for donation overseas.

Farm operating credit will continue to be highly important to farmers during the planting season and funding for operating credit will be maintained with more emphasis on guaranteed loans. In addition, nearly $500 million in interest subsidies authorized by the 1985 act is still available for use over the next 2 years. These funds can be used to match reductions by private lenders up to a total of 4 percentage points of the interest on farm loans. The Department will also continue to serve its borrowers with such servicing actions as subordinations, rescheduling and deferrals.

Our budget proposals reflect the high priority placed on the research and extension programs of the Department. Basic research programs in the agricultural sciences would be strengthened by providing a modest level of real growth for research at our USDA facilities, primarily in the area of plant germplasm and by providing increases for basic formula support for the land-grant universities. Increased funding is also proposed for the highly successful competitive grants program. For the Extension Service, the budget includes increases for basic formula support to the traditional 1862 and 1890 institutions. Consistent with past policy, no funds are proposed for earmarked grants for research and extension.

Soil conservation is of long-term importance to the Nation and funding of the Conservation Reserve Program as well as conservation technical assistance at adequate levels if especially important in order to achieve soil savings on the Nation's most erosion-prone land. By the end of fiscal year 1988 there will be at least 25 million acres placed under Conservation Reserve Program contracts. Costs for this program alone are estimated at over $2 billion in 1989 and are far more than the proposed reductions in other conservation programs.

The Forest Service will offer 11.1 billion board feet in timber sales in keeping with current demand projections for wood prod-

ucts. Legislation will be proposed to reform the program of receipts sharing with the States and to permit the expanded collection of recreation user fees.

The proposed budget for domestic food assistance programs would better target funds to the needy by maintaining free and reduced-price meals for low-income children in child nutrition programs, but discontinuing subsidies for meals served to upper-income children. In food stamps, Federal payments to States for administrative expenses would be reduced when States issue too many benefits in error.

In order to provide adequate funding for the priority programs I have mentioned and still lower USDA outlays for fiscal year 1988, other programs must be reduced or terminated. These include Farmers Home Administration housing and rural development programs, the Agricultural Conservation Program as well as watershed programs. There are also proposals for new or increased user fees in many areas and for the elimination of subsidies in programs as diverse as crop insurance and for school lunches served to non-needy children. Under a new initiative, lending by the Rural Electrification Administration will be shifted away from direct Government loans to a continuing program of REA guarantees of private sector loans.

In addition to these outlay reductions, the budget will also propose that outlays for fiscal year 1987 and fiscal year 1988 be reduced through asset sales. As required by the Omnibus Budget Reconciliation Act of 1986, asset sales are expected to reduce net outlays for the Rural Housing Insurance Fund by $1.7 billion and $1 billion for fiscal year 1987. In fiscal year 1988, we are proposing assets sales which will yield $0.8 billion each from the housing and community loan funds. In addition, loan assets sales by the Rural Electrification and Telephone Revolving Fund and the Rural Telephone Bank will yield $1.1 billion in fiscal year 1988.

I believe these points cover the main areas of the budget. USDA in concert with many other Federal agencies will have to reduce outlays during fiscal year 1988 if the budget deficit target is to be achieved. However, in reducing these outlays we need to ensure that essential programs and services are carried out at adequate levels. I believe the budget proposals I have just outlined will accomplish those goals.

Mr. Chairman, I would be pleased to respond to any questions that you or Members of the Committee may have. I must say that I am looking forward to working closely with you and Members of the Committee so that we can achieve our objectives for 1988.

The CHAIRMAN. Thank you, Mr. Secretary. Mr. Secretary, in this month's Scientific American magazine there is an article on hunger, and let me try to summarize it. It concludes that in the United States 12 million children and 8 million adults are hungry; this in the wealthiest and most powerful nation on earth. The article demonstrates the glaring failures of the USDA programs designed to feed the hungry. The article begins by explaining that hunger had been virtually eliminated in the United States by the late 1970's because of the food stamp, school lunch, and supplemental feeding programs. The Scientific American article then explained that the Administration began reducing and modifying those programs, and by

1982 signs of hunger were widespread. And then, despite congressional concern, the Administration continued to recommend cuts in nutrition programs.

Now, let me get to my question for you regarding the Temporary Emergency Feeding Assistance Program—and I ask this question in light of the Scientific American article. The program is designed to aid soup kitchens and food banks around the Nation in distributing the huge stockpile of USDA owned surplus commodities. Last year this emergency feeding program was able to distribute over $800 million worth of USDA surplus commodities that went to thousands of hungry Americans.

Congress has already appropriated $50 million to help these soup kitchens and other local charities to distribute these surplus foods. Certainly we are all aware of the soup kitchens and their need.

The USDA budget proposes to stop or defer spending this money. I would assume that means that more surplus commodities would pile up in USDA warehouses where they will feed no one, and the poor and homeless will go hungry, and the budget savings will go somewhere else.

Does your budget proposal to eventually terminate this Emergency Assistance Program for the hungry and homeless really respond to the needs of these people?

Secretary LYNG. Mr. Chairman, it seems difficult for people to keep some of these things in perspective. The amount of money that we are talking about in terms of the Temporary Emergency Food Assistance Program was a total of $50 million. This funding was given to the States and from there to the counties and cities to assist them in the distribution of nearly $1 billion worth of surplus commodities.

When we started the program, it was thought—and I still believe—that the Federal Government, should be willing to donate these surplus foods free to the communities, but the communities should assume some responsibility. We deliver the commodities in half-truckload quantities wherever they are wanted, so that there is little or no local freight expense. Many communities had a program where volunteers were distributing these commodities, and doing an excellent job of it. But it was felt that some communities needed help and some communities wanted to establish an agency to help facilitate the distribution process. Congress added $50 million for communities.

In an effort to reduce expenditures, we have proposed to defer spending the $28 million left for this program this fiscal year. However the Congress—the Senate, has already indicated it doesn't want us to do that and I'm sure the House will come to the same conclusion. So it will not be done.

But it's a small amount of money compared to the well over $20 billion that we spend on food assistance. I would categorically challenge the accuracy of the article in the Scientific American. I haven't seen it; but, I do not believe that we are ignoring the needs of poor people or that there are growing numbers of hungry people in this country.

The CHAIRMAN. Well, I would ask you to look at the Scientific American article, and I certainly would be glad to meet with anybody from your Department who wants to discuss it with me. In

fact, I would ask you to have whoever is in charge of the issue to respond to me, and let me know the Department's position on it. I am going to ask Senator Harkin and his Nutrition Subcommittee to look into this issue. It is an issue that I have followed for 12 years on this Committee and will follow it very, very closely. I found the article not only depressing reading but frightening reading, if it is accurate because there is hunger in this country. I am willing to go to virtually any community in this country, whether I've ever been there before or not and I guarantee you and I could find hungry people within a very, very short time for a variety of reasons. When we are talking about the most powerful and wealthiest nation in the world, hunger is something that shouldn't exist.

I looked at the school lunch program. In fiscal year 1982 the subsidy provided by USDA to schools for meals served to moderate-income children was cut by 11 cents; two million children in over 2,000 schools dropped out of the program at that time. The 1988 budget cuts 25 cents in cash and commodities in these same subsidies. How many more millions of school children are going to drop out of the school lunch program? Do we have a figure? I realize the budget constraints but these cuts deal with people and they deal with numbers and they deal with effects. When the determination was made to cut 25 cents in cash and commodities from these subsides, was a determination made on how many millions of school children would then drop out?

Secretary LYNG. I believe so, and we'd be happy to submit that information, Mr. Chairman. I find no difficulty in enthusiastically supporting the proposal of the Department. It's not a new propoal, we've made it before. However it seems very strange to me that the taxpayers, or this Government, should be asked to subsidize the school lunches of my grandchildren. They are affluent. The family—the parents, are perfectly able to take care of meal payments themselves. I see no reason at all why we should continue this kind of public expenditure.

[The following information was subsequently received by the Committee:]

When the subsidy reduction proposal was considered, an estimate was made of a decrease in participation due to possible price increases. According to USDA analysis most children now purchasing meals will probably continue to participate in the School Lunch Program, because the NSLP would remain a bargain to participants. The price of an alternate lunch of similar nutritional value still would be higher than the school lunch. If the full subsidy reduction is passed on, the full price of meals would increase only about 25 cents, to $1.10–$1.20 per meal in school year 1987–1988. The estimate indicated the 25 cent price increase could lead to a 20 percent decline in participation by children from families with incomes above 185 percent of the poverty level, or about 2.5 million children per day nationwide.

The CHAIRMAN. Well, let me respond to that just a little bit. I live in a low- to moderate-income city, the city of Burlington, Vermont. My youngest son is in high school there. I could easily afford his school lunch, whatever the cost is. But when we start cutting back on these programs, at some point the various schools determine maybe they can't have a school lunch program at all. And then what do you do? It's your grandchildren and my son who are the ones who can afford to eat, but there's not an awful lot of other people who live in the same town that I do in Vermont or the same

town that your grandchildren do who can. And that's the question that really has to be asked: at what point do we effectively eliminate the school lunch program entirely and say just those who can afford to pay are the only ones who are going to get fed? What does that do to our whole educational system? Do we end up with a lot of hungry children? These are questions that really should be asked, and I raise them only because they are questions that will be asked in subsequent hearings.

Another question lies in the area of nutrition. I know the Administration has spoken of family values over and over again. The President has made great speeches and I would assume that we all feel strongly about those values. We also hear discussions urging pregnant women to go through with their pregnancy and have their children, again a view that I wholeheartedly endorse.

Yet one of the most pro-family programs that this country has is the WIC Program—the Women, Infants, and Children Program. I understand from the budget cuts that are proposed for WIC that a hundred thousand fewer participants a month will be served. I know in my own State, where the first pilot program of WIC was put together, that pediatricians and others up there think this is one of the most effective programs ever. Prior to it, pediatricians used to see a lot of cases of malnutrition. They no longer see it. It is an encouragement to low-income women who are pregnant to go forward with their pregnancy, that somebody will help them with their own nutritional needs and help them with their child's nutritional needs.

But is it true, that a hundred thousand fewer participants a month will be served under the USDA's budget?

Secretary LYNG. No, I don't think that's correct, Mr. Chairman. It is my understanding that the actual amount on the budget will be increased but the increase may not be adequate to take into consideration what has been estimated by the States to be the caseload. Perhaps the increase will serve a hundred thousand persons short of the States' caseload estimate.

The CHAIRMAN. Let me note, Mr. Secretary, that the WIC Program will be an area of significant concern to me. I will have a series of other questions on nutrition that I will submit for the record. I also have a couple on price supports.

A few months ago we were being told to stay the course and give the 1985 farm bill a chance to work, and most of us around this table who had to struggle through the birth of that farm bill thought that was a great idea. But now we are being told that there are going to be deep cuts in the program. In January we received word that the Administration would submit legislation to slash target prices by 10 percent annually. This caused a great deal of concern in rural America, if my mail is any indication. We haven't seen the details; we can't precisely assess their impact.

Do you have legislation with you today to make these cuts?

Secretary LYNG. I don't have it with me today, Senator. We will, however, be submitting it for introduction within a few days.

I would argue that we are staying the course in the important aspects of the 1985 farm bill. In fiscal years 1989, 1990, and 1991, reducing the target prices each year by 10 percent, leaving the loan levels at where they are, or perhaps some small lowering of them—

we are going to ask for more authority in that area—so that we can continue to stay the course in terms of being competitive in world markets. That was one of the hallmarks of the 1985 legislation. It made it possible for us to compete in world markets.

Our exports have not been as good as we had hoped, but by staying the course in this area I think that we do have a good chance to see continued improvement. It's improving now, and I think that we are much more competitive than we were under the 1981 farm program.

We'd like to stay the course on dairy. We've urged that there be no modifications in the dairy program. We'd like to stay the course in peanuts and in tobacco. There were changes made in all three of those programs. Some of them were terribly expensive. But they seemed to have solved some of the problems, and we think now we should reap the benefit of that investment and stay the course.

The same thing is true in rice and in cotton. Those programs, although very expensive, have accomplished a great deal.

So in essence we are not talking about slashing the budget of Agriculture as far as farm payments are concerned; we are, however, talking about modifying the 1985 farm bill to bring it somewhat closer to what was estimated as the cost of the program at the time that it was passed. It's way over that now. And I would agree with you that much of it has worked well—it's not perfect. But we should stay the course.

The CHAIRMAN. Mr. Secretary, my time is up. I am going to have a series of questions on the whole area of price cuts because there are concerns, and I would urge you, if you have legislation in this area, to get it up here as soon as you can. The Committee is going on the road next week—we are going out to the Midwest. I expect when we have our Committee hearings in the Midwest we will probably hear a lot of questions about this, so any early indication you can give us would be helpful. As I said, I will have a number of other questions for the record.[1] I yield to the distinguished Senator from Indiana.

Senator HELMS. Mr. Chairman, if you would yield.

The CHAIRMAN. Of course. Not because you heard the word "tobacco" mentioned, did you?

Senator HELMS. No, I just wanted to know if you would furnish, at least me—maybe all Senators would like a copy of the article?

The CHAIRMAN. The article in Scientific American?

Senator HELMS. Yes. I never heard of the magazine. [Laughter.] I'd like to know who wrote the article.

The CHAIRMAN. The magazine, Scientific American, was established in 1845. It has been around a long time.

Senator HELMS. Who wrote the article?

The CHAIRMAN. It was written by J. Larry Brown.

Senator HELMS. Who is he?

The CHAIRMAN. I will give you a copy of the article. But let me tell you, Senator, I've been to an awful lot of areas of this country, and if anecdotal testimony is at all accurate, I've seen a great deal

[1] See p. 40 for written questions from Senator Leahy and Secretary Lyng's answers thereto.

of hunger in my own State, in Washington, DC, and in other parts of the country.

I certainly will ask staff to make sure a copy of that is given to every Senator, and I would urge every Senator and staff to read it.

Senator HELMS. Well, I don't doubt the Senator's position at all. I just don't know whether I'm familiar with the person who wrote the article and his or her credentials.

Thank you very much.

The CHAIRMAN. The Senator from Indiana.

Senator LUGAR. Mr. Chairman, Mr. Secretary, I would like to engage in a colloquy for a few moments on the so-called decoupling ideas that extend the Fifty/92 program, as it was called before, to a Zero/92 program, just to test my own understanding. Let us say, for example, that a farmer had a history of a hundred acres of corn, sort of the basis for the beginning of the figuring of his deficiency payment, and a history of production of a hundred bushels an acre on that hundred acres; in other words, a hundred acres times a hundred bushels, 10,000 bushels of corn on which the deficiency payment would be paid. And let's take, for example, a deficiency payment of $1.20 a bushel. That farmer could count upon $12,000.

Now, in the proposal that you are making, as I understand, or that the Administration will make, 92 percent of that $12,000 could be paid to the farmer if he simply, I suppose, filed the forms or indicated that he is still part of the program but did not plant corn, is that correct?

Secretary LYNG. Yes, that's correct. And he would still maintain the record of production. The way it is now, if he fails to plant that crop, that reduces that base that he has established.

Senator LUGAR. He maintains the base.

Secretary LYNG. Under the Zero/92 he could not plant at all and retain the base. He, of course, would not then get the benefits of the price of selling the corn that he produced; he would only get the deficiency payment. But he would also, at the same time, save the costs of production.

We think that this, as an optional program, would be very good for some farmers. It would have the advantage of reducing their costs and increasing their net returns. It should only be used at a time when we have huge surpluses, as we do now. It would save the Government investing in and building up those surpluses. It's not a big-money item in terms of the amount of money saved by either the farmer or the Government, but it's a worthwhile amount. It has the additional advantage that it would begin to give up a chance to reduce those huge stocks which are overhanging the market and are discouraging any opportunities for the market to get much above the minimum prices.

Senator LUGAR. Let me ask: For how many years is this program proposed? As I gather, if legislation came along, it could be possible for the planting season, at least as far as corn, for calendar year 1988. Is that correct?

Secretary LYNG. Yes. We would not be opposed to it for 1987. However, it's late and the Congress would have to act very, very quickly, which I suppose is unlikely. But under the remaining

years under the 1985 farm bill—1988, 1989, and 1990—the Zero/92 program would be available.

We have programs similar to this, in the 50/92 program.

One of the provisions that we will want in the Zero/92 program is that no other crops, either nonprogram crops or haying or grazing, be permitted on that land that's taken out. We believe if a person is going to be paid that deficiency payment for not farming, he should not be allowed to produce any other crops, which would be competitive with other farmers.

Senator LUGAR. Therefore no further production would be added to any other stocks.

Secretary LYNG. Yes.

Senator LUGAR. Have a zero production on that land. And it would extend, if the Congress so willed, for at least the three fiscal years of 1989, 1990, and 1991, the final 3 years of the 5-year farm bill?

Secretary LYNG. That's correct.

Senator LUGAR. Then at that point we would have to see how the Congress acted on legislation. But a farmer who got into this could count on at least 3 years unless we acted quickly with regard to this planting year.

Secretary LYNG. That's correct.

Senator LUGAR. Do you have any estimates in the Department as to how much land might come into this program, or how many elections to do this might be made?

Secretary LYNG. I'm sure we do. I'm not sure how accurate estimates of that kind would be for a new program of that type. We speculated that we might get the participation high enough so we would have to limit it. Obviously we couldn't have all the farmers participating in the program, we couldn't permit that. We would have to think in terms of some levels by communities, by counties, by States perhaps, so that we didn't get major distortions in supply or in production. We could have an adverse effect in some communities if we allowed too large a participation in it.

That's a possibility.

Senator LUGAR. But those limitations would be a part of the original legislation that was submitted.

Secretary LYNG. Well, we would at the very least want to have enough discretion in the Department so we cold adjust to that type of situation.

Senator LUGAR. Clearly one of the advantages of your proposal is that, as we have discussed earlier on—I recall that my colleague from Iowa, Senator Harkin, mentioned the problem of supply, and this is much on all of our minds—supply has decreased, people obviously do not plant and stocks hopefully come down, which is helpful on the supply side.

What is the philosophy of the Department with regard to the common sense question that will be asked by farmers and other Americans, that is, should the Federal Government make a payment this large to a farmer who produces nothing? At least some initial criticism comes because of a feeling that here is a program and the construct is all there and the money comes out but the farmer does not produce and the farmer himself may not feel very

good about that, and the public as a whole may not feel very good either.

What is your argument, or how are you going to face that common sense criticism?

Secretary LYNG. Why does the Government want to encourage the continuation of bases, and things like that? The fact is, with our target prices where they are—we have an incentive for farmers to produce a good deal more than there is a market for. I would agree with what's been said about the need for augmentation of farm income—that's why we are not proposing to cut them for 1987 at all. So our proposal is an adaptation to offset the incentive to overproduce. Actually, if we got into the lower end of the target prices we wouldn't have that problem.

Senator LUGAR. Your argument, to restate it, will be that common sense would dictate that people ought not to produce something for which there is not a market and add to the general oversupply, but at the same time we do have a national policy of trying to maintain income for the family farm. And this is one way of doing that without increasing the problem of oversupply or production for a market that is not there.

Secretary LYNG. That's correct. And I repeat that it's optional for individual farmers, no one is required to do this. I believe it should be a popular program; and from a budgetary standpoint it's relatively neutral. It could save the Government some money. In the longer term it could be of real value in reducing those large stocks.

Senator LUGAR. Thank you, and thank you, Mr. Chairman.

The CHAIRMAN. Thank you. We'll try to stick with the 10-minute rule so every Senator can have a chance to speak, and I yield to Senator Zorinsky.

STATEMENT OF HON. EDWARD ZORINSKY, A U.S. SENATOR FROM NEBRASKA

Senator ZORINSKY. Thank you, Mr. Chairman, and welcome, Mr. Secretary. We seem to have an ongoing difference of opinion with respect to prices of commodities and how they should be determined. We went through the 1985 farm bill for 11 months, and I think it become very much like the Bataan Death March.

We finally evolved a bill. We had a big 2-month discussion on freezing target prices for 2, 3 and 4 years. Finally there were some concessions made on both sides, we got a 2-year freeze. Then mathematically we constructed the 3-year freeze with a bar graph that Secretary Jack Block had invented, and sold that. Now we come back and look at a budget that is negating 11 months of work, 11 months of sweat of explaining it to farmers and nobody was happy with it, but they accepted it and we go by it—then once again, the Administration breaks its word.

Again, during a session of the confirmation of Peter Myers, I though I had an understanding with the Administration concerning your new budget proposal that would restore USDA's authority to proceed with efforts to consolidate the four national technical centers into one in Fort Worth, Texas. You called George Dunlop that day and said, Ed, don't worry, that's not going to be done. I leaned over, even showed that note that George gave me that was

taken from you on the telephone, and said that's a moot issue now. Now it's back in your new budget. You know, when I was a businessman for 35 and 40 years, my word was my bond, I shook hands, I didn't need 50 lawyers, I didn't need a thousand accountants, and I didn't need to have somebody bonded, because their word was their bond; a handshake was as good as a contractual agreement.

Well, Mr. Secretary, we have no bond between us. I think if this continues—I don't know how you explain it to farmers. You say we are going to do a certain thing, we've got a 5-year farm bill, we are going to go with it, and then turn around and erode the credibility of the Government again, as we constantly do back here, not only in the area of agriculture. Your philosophy of lowering the price of commodities so we can really get into that export market—we've been lowering that price for 5 years and continue to lose the export market, in case anybody hasn't noticed. We ask about a new GATT agreement, and I'm informed by the Administration that, well, it's going to take 2 years to get an agenda for a GATT agreement and it might take 6 years to conclude a new one. There will be a lot of farmers that aren't going to be around 8 years from now to enjoy any new GATT agreement.

I think your philosophy of objecting constantly to averaging the law of supply and demand is misguided. And, Mr. Secretary, if you can name one business, one industry, that constantly, year after year, can produce more commodity than it can sell or consume, I want to know about that industry; there is no such animal. Even General Motors has to close plants, lay off people, go to 4-day weeks. Here we are encouraging farmers to continue to produce, and overproduce. We've got a farm bill now that encourages overproduction. I agree, we should reduce the exposure to the taxpayer. That is done by increasing the exposure to the consumer.

God forbid that an American consumer might have to pay 1 percent more of his disposable income for food so that a farmer can stay in business.

I don't know how my colleagues feel about the balance of this year. There's going to be a constant gridlock or battle between this committee and the Administration concerning the fact that when we've got a 57-percent approval in a referendum for farmers and mandatory production controls in wheat, and your Administration says that that is not significant. Yet 330,000 ballots were returned and the Agricultural Year Book that you published in 1983 says there are 350,000 wheat farmers. That's an 80-percent return, and you try to make it insignificant. You send out 2 million ballots, and say, well, only 27 percent of the farmers returned the ballots. Well, there were far more ballots out there than there were farmers. If we hadn't got in there and asked for a rewording of the ballot's construction, we would have had another Philippine election here based on that type of a referendum.

And so, Mr. Secretary, I don't mean to get carried away and highly emotional, but I want to say to you that trust, faith, and confidence in the new budget are completely lost. This is a new ball game and everybody is going to take their best shot once again. And for us to continue to say that our Bonus Export Enhancement Program—first, again, I made a deal, I voted for a budget for the Administration to put $2 billion in that; then it gets cut to $1 bil-

lion. And then, if you're a communist, you can't take advantage of that. Then the Ambassador of Iraq comes to my office and says we want to increase our purchases of agricultural products to $700 million from $400 million. You know who I had to call? I had to call the State Department to get authority, not the Secretary of Agriculture.

So, it's quite obvious that there is a lot of miscommunication. I hope that this year in this budget, in the presenting of it, that we have some reasonable understanding of where we can go to bed at night and wake up the next morning and still have the same type of agreement.

Mr. Secretary, I'd be interested in hearing some comments from you as to why you think that we have got to continue to lower the prices in order to save the farmer. We might save some export business; we are not going to save farmers—we are going to lose them.

The CHAIRMAN. I wonder if we might give the Secretary a chance to respond.

Secretary LYNG. Well, Mr. Chairman, it would take me quite a long time to respond to all of the points that Senator Zorinsky has made. I will be happy to do that, if we want to devote that much time for a detailed response. But, I would particularly like to touch upon those comments where my integrity and that of the Department was questioned in terms of our living up to a deal, or our failure to be reliable in what you consider to be commitments.

At the time of the passage of the 1985 farm bill, it was clear that the Administration accepted a compromise on the target price levels—the Administration wanted to lower them, because they felt that the cost of the program would be excessive. It would also be an incentive for excess production. That has turned out to be the case. A bill that was estimated to cost $50 billion now clearly will cost well over $70 billion. We are only trying to offer a solution to that excessive cost. We think that can be done by phasing our proposal in over a period of 3 years, 10 percent per year, and that it will not pull the rug out or cause the excessive reductions often related to it.

Now, concerning the issue of the consolidation of soil conservation facilities—it was something that we wanted to do. But, due to the great number of objections we received from a number of places, we withdrew the proposal. We have not changed our decision to retain the four national technical centers.

Now, there are a number of other points you made relative to prices of agricultural commodities. The concept of getting our consumer prices up and somehow maintaining our exports through some subsidy system sounds very much to me like a duplication of the Common Agricultural Policy of the European Community. I don't think that's what we want to do in the United States.

Senator ZORINSKY. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. The Senator from North Carolina.

Senator HELMS. Thank you, Mr. Chairman. If I may, I would like to review some of these understandings or comments you made, Mr. Secretary. We spent, did you say, $20 billion on feeding programs last year?

Secretary LYNG. I used the rough figure of $20 billion. $19.4 billion in cash plus the value of our donated commodities, which makes it well over $20 billion.

Senator HELMS. Unless I'm mistaken—and the record will show—you said $20 billion, and that seems to fit. Are you proposing to cut that?

Secretary LYNG. No, sir, we are making a proposal Senator Helms—to make a reduction in the school lunch program, which would eliminate subsidies to non-needy families. We have made this proposal in prior years. We have consistently argued that the subsidy, the cash and commodity subsidy, for affluent children in the school lunch program could be eliminated. The proposal calls for elimination of the full amount of the subsidy to affluent children. The program allows for free lunches to children for families with income above the poverty level; for those in the next income level, reduced-price lunches are provided—these would go to children from families with incomes considerably above the poverty level. Finally, for children from families that are above that income level we are proposing that there be no Federal assistance.

Senator HELMS. What is the average income of families such as families in my State, Senator Leahy's and others', who receive the lunch payment under the so-called paid lunch program? Isn't it about, what, $22,000?

Secretary LYNG. Well, I would hesitate to guess on that.

Senator HELMS. Somebody--Peter, do you know?

Secretary LYNG. I'd be happy to submit the income limits for the record. The free lunches go to children from families with incomes up to 130 percent above the poverty level; the reduced-price lunches go to children from families with incomes between 130 and 185 percent of the poverty level. The class of income we are talking about is really middle America, or above.

[The following information was received by the committee:]

INCOME ELIGIBILITY GUIDELINES

(Effective From July 1, 1986 to June 30, 1987)

Household Size	Reduced Price Meals - 185%			Free Meals - 130%			Federal Poverty Guidelines		
	Year	Month	Week	Year	Month	Week	Year	Month	Week
48 CONTIGUOUS UNITED STATES, DISTRICT OF COLUMBIA, GUAM AND TERRITORIES									
1	9,916	827	191	6,968	581	134	5,360	447	104
2	13,394	1,117	258	9,412	785	181	7,240	604	140
3	16,872	1,406	325	11,856	988	228	9,120	760	176
4	20,350	1,696	392	14,300	1,192	275	11,000	917	212
5	23,828	1,986	459	16,744	1,396	322	12,880	1,074	248
6	27,306	2,277	526	19,188	1,599	369	14,760	1,230	284
7	30,784	2,566	592	21,632	1,803	416	16,640	1,387	320
8	34,262	2,854	659	24,076	2,007	463	18,520	1,544	357
For each additional family member add..	+3,478	+290	+67	+2,444	+204	+47	+1,880	+157	+37
ALASKA									
1	12,395	1,033	239	8,710	726	168	6,700	559	129
2	16,743	1,396	322	11,765	981	227	9,050	755	173
3	21,090	1,758	406	14,820	1,235	285	11,400	950	220
4	25,438	2,120	490	17,875	1,490	344	13,750	1,146	265
5	29,785	2,483	573	20,930	1,745	403	16,100	1,342	310
6	34,133	2,845	657	23,985	1,999	462	18,450	1,538	355
7	38,480	3,207	740	27,040	2,254	520	20,800	1,734	400
8	42,828	3,569	824	30,095	2,508	579	23,150	1,930	446
For each additional family member add..	+4,348	+363	+84	+3,055	+255	+59	+2,350	+196	+46
HAWAII									
1	11,415	952	220	8,021	669	155	6,170	515	119
2	15,411	1,285	297	10,829	903	209	8,330	695	161
3	19,407	1,618	374	13,637	1,137	263	10,490	875	202
4	23,403	1,951	451	16,445	1,371	317	12,650	1,055	244
5	27,399	2,284	527	19,253	1,605	371	14,810	1,235	285
6	31,395	2,617	604	22,061	1,839	425	16,970	1,415	327
7	35,391	2,950	681	24,869	2,073	479	19,130	1,595	368
8	39,387	3,283	758	27,677	2,307	533	21,290	1,775	410
For each additional family member add..	+3,996	+333	+77	+2,808	+234	+54	+2,160	+180	+42

Senator HELMS. How about supplying that figure? I think I'm correct. It's $22,000 roughly for most of the States, I think Senator Leahy's as well as mine.

The way I see it, and maybe I've got a clouded view of it but what we have now with subsidizing the lunches of the rich kids, if you want to put it that way, the affluent families, the poor people are being taxed to do this, is that not correct, to pay for this subsidy?

Secretary LYNG. Well, whoever pays taxes.

Senator HELMS. Of course.

Secretary LYNG. This money of course, comes out of the revenues that come into the U.S. Treasury.

Senator HELMS. Well, I went out to Mike's and Ellen's school, two of the greatest grandchildren you ever saw, and had lunch with them. I saw kids getting those lunches, subsidized lunches, and I know that the income of the parents of a lot of the kids I saw is two or three times what my income is. Somehow, I think it's sort of fouled up. I agree with you on that, Mr. Secretary—to make a great big point that we are starving kids to death.

Now, let me ask you this. We have a $2 trillion deficit, Federal deficit. Most of the States have, wisely, a constitutional prohibition against deficits, they've got a balanced budget. How many States

have you had to come to you and say, look, you've got a deficit in the Federal Government, we don't have any, we are not looking to pay out any more—but maybe we ought to help a little bit. Have you had any States come to you?

Secretary LYNG. I can't recall ever having a State come to me with that comment.

Senator HELMS. Well, if you ever have one, let me know, because what they want, they want even more largess from the Federal Government. And you see the fiscal situation we are in.

Now, Members of Congress go home and say Reagan is fouling up, the Reagan deficit. The last time I checked, Reagan can't spend a nickel that is not appropriated by Congress. By the way, we are going to have a vote on every budget waiver in the Senate this year, so we can separate the sheep from the goats on this question of excess spending.

But concerning this business of exports, suppose we should get back our export strength; wouldn't that solve a great deal of the problems of farmers in the country, so that we would have a market for the overproduction, as Dick Lugar calls it?

Secretary LYNG. Well, it is absolutely clear, Senator Helms, that we can produce a whole lot more of virtually every commodity you can think of than we can consume within the United States. Some commodities, where we don't have Government programs, there has been a major reduction in the total production in order to accommodate market conditions.

The situation would be a happy one if we had ample demand at prices that were profitable. We had a situation like that for awhile in the seventies. We were misled I think into believing that it would last forever. We geared up for a much larger level of production. Not only did we not get the increase that we had anticipated, but we in fact had a major shrinking in the size of the global market. That's where we are today.

Senator HELMS. One final point. Nobody in his right mind would minimize the difficulties among many farmers in this country today—certainly I do not. A lot of my good friends in North Carolina are having a tough time—and I am sure this is true in every other State. But aren't there a lot of farmers who are doing quite well in this country today?

Secretary LYNG. As a percentage, I would say it would not be a lot who are doing extraordinarily well in every respect, however about 50 percent of the farmers of this country could be considered as doing well in the sense that they have more than adequate net cash income to meet debt service and other obligations.

Senator HELMS. I'm not talking about those who have programs; I'm talking about all farmers.

Secretary LYNG. Yes, I'm talking about all farmers. I believe, as I said earlier, that about 50 percent or more could be said to be doing well. We have some farmers that have told me that last year, 1986, was the best year they ever had. Especially in some places where they had particularly good yields of corn, had hogs, and maybe not too much debt. Those farmers had good years. However, the other end of that extreme we must remember, as you say, there are others who are not doing so well.

Senator HELMS. Of course there are, and we all agree on that.

Secretary LYNG. Yes, there are some farmers who are going broke.

Senator HELMS. For whatever reason.

Secretary LYNG. For whatever reason.

Senator HELMS. There are a whole lot of reasons, and we are all sorry for them and we want to help in any way we can properly and legitimately.

Well, I think my time is just about up. Let me just comment that I was handed a note that—did you say, Mr. Chairman, that the author of that article is J. Larry Brown?

The CHAIRMAN. I did.

Senator HELMS. Well, I'm advised—I remember now—Mr. Brown is a political activist.

The CHAIRMAN. Well, Mr. Brown is a distinguished professor, he's written in this area——

Senator HELMS. At Harvard University.

The CHAIRMAN. He's worked——

Senator HELMS. Mr. Chairman, if you don't mind, I'll let you rebut me when I get through, if that's all right; if not, if you want to go ahead——

The CHAIRMAN. I'll extend the time; your time is up. But certainly, if you want to talk some more, go ahead.

Senator HELMS. Well, I want about 30 seconds. The General Accounting Office, I'm informed, did a review of some of his studies and found that the allegations he made were not supported by his documentation.

So, I'll be interested in reading his article and maybe we'll have his documentation checked on this to see how accurate it is.

The CHAIRMAN. Well, I think if the Senator from North Carolina is suggesting that there is not hunger in America today, which is Mr. Brown's basic thesis, then I would disagree with the Senator. Mr. Brown is not the only one who has stated and has written that hunger is increasing in America. I would invite the Senator from North Carolina to come with us when we have some of our field hearings on the hunger issue. I think that he will find that there is hunger, substantial hunger, throughout America.

Mr. Secretary?

Secretary LYNG. Mr. Chairman, I happened to be an Assistant Secretary when President Nixon announced in May 1969 that it was the goal of this country to eliminate poverty-caused hunger and malnutrition. I would submit that we have accomplished that.

Professor Brown has written and spoken a great deal about hunger in the past. He talks about hunger among children which would be better classified as child abuse or hunger among the aged who are receiving almost no care from anyone.

But, the programs of the Department of Agriculture to eliminate poverty-caused hunger and malnutrition have been effective and are continuing to be effective. I would challenge Professor Brown if he suggests that we have not substantially eliminated poverty-caused hunger and malnutrition.

The CHAIRMAN. I suspect, as I stated before, that we will have a number of hearings on this subject. I would like to be able to say that poverty-created hunger has been eliminated in this country. But I certainly see an awful lot of areas, whether in my own State

or other States, where poverty-created hunger still exists. All administrations have been involved in the WIC Program and the various feeding programs. But when we see a proposal here which would effectively eliminate, for example, a hundred thousand people who would otherwise be eligible for the WIC Program, that's not eliminating hunger, that's not eliminating malnutrition. If we go throughout this city, the capital city, again we see hunger. There are a number of reasons for it. But certainly cutting back on feeding programs at a time when we are spending billions of dollars to store surplus food that will never be used, and many times ends up rotting, is not eliminating hunger in my mind.

Now, certainly every Senator will be free to rebut anything he wants to from Professor Brown's article and other articles. But I suspect that this will be a significant issue before this committee this year.

The Senator from Montana.

STATEMENT OF HON. JOHN MELCHER, A U.S. SENATOR FROM MONTANA

Senator MELCHER. Thank you, Mr. Chairman. Following up on what's been said about hunger, let me remind you, Mr. Secretary, of the conversation we had last fall in your office. At that time I indicated that even with the Temporary Emergency Food Assistance Program, what we called TEFAP, we had wheat piled on the ground, yet we didn't have flour to distribute through the TEFAP Program to those who were truly in need of additional food.

The amount of people that are assisted by that program in Montana—and I would classify them as hungry—is about 8 percent of our population. If we are typical of the Nation, and I think we are, then the figures that have been mentioned here are not unrealistic.

I want to make some basic points first and then I've a few kind things to say about you, Mr. Secretary, which I think are due. My colleague here, Senator Zorinsky, was talking about commitments and deals that were made in terms of the 1985 farm bill. Well, farmers know better than any class of people in the United States that deals made in Washington can be washed out from one year to the next. When we passed that farm bill in 1985, it was very clear that we were going to have to have an increase in exports, or we were going to have too much production. Perhaps one of the reasons that Senators are elected for 6 years rather than 4 years, as the President is, is so that we are around continuously to make sure that the policy that has been established, if it's going to be modified, will have to be reasonable.

Now, Mr. Secretary, the kind things I have to say are this. When I asked on behalf of our State—in fact, on behalf of our whole region regarding distribution of surplus commodities—to have the Department look at, and do something about this question of wheat stored on the ground with no flour to be distributed to the poor—and I assumed corn stored on the ground in the Corn Belt and no corn meal to be distributed to the poor through TEFAP—you did respond very quickly. As a result of that, more than twice as much surplus commodities was put into the pipeline for our State and the other States in our region. I assume if there are other regions

of the country that were inadequate in commodities to be distributed to the poor, that you made corrections there, too.

Second, I'd like to commend you and the Department on the budget request you've made for research. The Department has been consistent in that, and, in times of real budgetary stress, I'm pleased to note that in this budget you have included as much as possible for continuation of research through the land-grant colleges and through the Department itself.

Now, Mr. Secretary, I think there are some things I can tell you that probably are not going to happen that are proposed in the budget. In fact, if you care to put it in the parlance of betting, football betting, the point spread would be about 88 points against your getting your side accepted by Congress. A case in point is this transfer of $29 million for temporary food assistance for the poor. Twenty-nine million taken out of that $50 million to be paid to allow for salary increases for Department employees? That's preposterous.

I note that there is a lawsuit on it. I don't know why a lawsuit would be necessary. All that's necessary is for Congress, through the appropriations process in the Senate and the House to simply say we don't agree. I'm sure that will happen.

Another case is this old deal of putting in the budget that we are going to take meat inspection out of the budget. The proposal is that we are going to pass that cost on to the packers and the chicken processors, and we will save some Federal money. Now, you and I both know that's not going to happen.

Target prices. No, just simply no—we don't even have to raise our voice. No way.

Soil conservation cuts. Probably you can bet on that, and if you want to use the parlance of the tracks, that would be about a 20 to 1 shot—that's a real long shot. I can assure you that it isn't going to happen. We've taken enough out of the soil, and we need more soil conservation rather than less.

But you know, Mr. Secretary—and I hope all the Department knows—that what we have to do is to work out these programs on export. There's an old saying in Montana, and anywhere they have sheep left, that says two heads are better than one, even if one's a sheep's head. Between us I don't know which would be the sheep's head—and I don't really care.

But this is a time when we are going to have to have a high degree of cooperation. I could ask you what's the status of shipments of commodities to the Philippines or Nigeria or India or China or Mexico. I'm not going to burden this record with your response now, because, as I understand it, you couldn't give us the specifics. And we will have another hearing tomorrow where we hear from Tom Kay, Foreign Agricultural Service Administrator, and from somebody from AID and hopefully from the Special Advisor to the President on Agricultural Trade and Food Assistance, part of the 1985 Farm Act.

I want to assure you, Mr. Secretary, that I don't believe it's unrealistic to have a reduction of outlays out of the Treasury of $4 billion in fiscal 1988. I think that's a minimum. I think Congress in our own budget will view that as a minimum.

But I don't believe it will be a reduction in target prices; I believe it will be an increase in exports. I believe that by increasing the exports we will stabilize the prices of the major commodities—wheat, corn, and soybeans that are in surplus—and that by doing so we will pick up the $4 billion in savings, or more.

Now, we know that in the 1985 farm bill that the exports title was a very significant title, yet we find that some of the programs that are called for in the 1985 farm bill still haven't been implemented. One of the problems has been the clearance process. The delaying process has been almost mind-boggling. The effort of getting the State Department, OMB, and the White House, and whoever else they want in on it—Treasury, Commerce, besides your own Department—to all sign off means that nothing gets done. On that I think you need particular assistance.

Exports, as we know, must be a mix of P.L. 480, section 416, and credit—and we'll get into that very much in detail in tomorrow's hearing before our subcommittee covering those programs.

I'm not asking you any questions, Mr. Secretary. I'm just letting you know that there's a lot of work to be done, and you'll find that all of us, whether Democrats or Republicans, are ready to cooperate with you on expanding exports.

Senator ZORINSKY [presiding]. Thank you, Senator Melcher. I'm going to recess for 10 minutes inasmuch as there is a vote taking place on a budget waiver on the highway bill over at the Senate floor. So we'll just be in recess for 10 minutes and come right back. When we come back, the next Senator will be Senator McConnell.

[Recess.]

Senator ZORINSKY [presiding]. We'll have the hearing come back to order, and possibly, while we are waiting for one of my colleagues to arrive to take his turn in order, I'd like to ask you, Mr. Secretary, with regard to your views on a new round of GATT agreements, what do you feel the time constraints are on that, and what do you feel the future might hold? Do you think that in this Administration we will complete any action on them with regard to being able to sit down with the European Community or any of the other nations?

Secretary LYNG. We hope so, Mr. Chairman. Traditionally, GATT negotiations have been painfully slow, and, from an agricultural standpoint, they've been virtually nonproductive. Many agriculturalists in the United States would say that we lost more ground than we've gained over the years in GATT negotiations.

We hope that this one is different, and we set the stage for that at what I would term a successful meeting at Punta del Este in Uruguay. Seventy-three nations agreed on the scope of the negotiations, and the Uruguayan round was in essence agreed to in a single document signed by everyone. This document gave strong emphasis to agriculture and agricultural problems.

The United States has indicated that it would like to move this process along, the agricultural portion of these negotiations, on what we call a fast track. Those words, I guess, when translated into some other languages, frighten some people, and particularly the European Community. They were fearful that we weren't going to give them enough time for implementation.

Subsequent to that we have, I think, made it clear that we wanted to negotiate quickly. We wanted to get going and try to get some agreements, not necessarily insisting that they all be implemented a hundred percent at any given time. We recognize that even in our own situation some of the things that we might have to give up in a good negotiation, we might not be able to do instantly or precipitously.

I think since our meeting, just in the last week or so, we've seen the stage set for better negotiations.

I would hope that at the end of 2 years of these negotiations, at the very latest, we would have come to some pretty specific agreements in agriculture. These agreements may not be implemented, or at least not fully implemented—perhaps some could be—but we would have a clear course for the future with widespread support among the nations of the world.

Senator ZORINSKY [presiding]. Thank you. Senator McConnell of Kentucky.

STATEMENT OF HON. MITCH McCONNELL, A U.S. SENATOR FROM KENTUCKY

Senator MCCONNELL. Thank you, Senator Zorinsky. Mr. Secretary, I can barely see you for the television lights, but I know you're there. I wouldn't want you to leave today thinking that the dissatisfaction with the Department was just on the other side of the room. I identified greatly with the observations of my colleague, Senator Zorinsky. In my 2 years it's hard for me to remember a single completely satisfactory experience with the Department.

As you know, in my State I have 150,000 tobacco growers and that's certainly not a popular product around this town, but nevertheless it's a legal crop. It's the only commodity program under which the growers themselves pay for it. As you know, Mr. Secretary, we enacted the tobacco reform proposal in 1985 and 1986, against the odds, and that particular commodity took a 16-percent price-support cut, unlike all the other commodities. And so with the 16-percent price-support cut, the Congress defined a program for purchasing surplus, unlike the other commodities, a program under which the growers paid for itself, again unlike other commodities, and we went forward with some degree of optimism in times in which it's hard to be optimistic at all about tobacco.

Yet it seems to me on every occasion under the new act, when the Department has had a chance to interpret the act, it has gone out of its way to bring forth an adverse ruling. For example, earlier this year the Department arbitrarily decided to cut the price support for certain grades of burley tobacco, based upon some notion that that was going to do something toward avoiding additional pool stocks building up, even though last year we had very little burley tobacco go into the pool, or under loan.

The net effect of that decision, as you know, was not to save the Government any money; the net effect of that decision was simply to transfer $12 million to $15 million from the burley grower to the cigarette company, a direct transfer; it saved the Government nothing.

That decision you and your Department made over the advice of all of us, to the substantial detriment of our growers. And when that was out of the way, then you came along and cut the quota for next year by 6 percent, the maximum allowable under law, even though this year only 8 percent of the burley went into the pool or under loan, and no evidence that the program was not working, no evidence that the prices established under the law were not market clearing prices, and no indication that there was a surplus problem to be solved, and therefore no need for a cut in quota, particularly since, in the Flue-cured State of North Carolina, there was only a 3-percent quota cut.

So to say in terms of Kentucky's No. 1 agricultural activity I am unhappy with the Department, is to put it mildly. So, I must say I intend, in terms of this one Senator and reaction to any programmatic changes that you may wish to make, I certainly view them with a good deal of skepticism. It seems to me that the development of effective agricultural policy is a two-way street; my own experience is that the street only runs one way.

So I hope, Mr. Secretary, that in the interest of developing friendships and support on the Hill that in areas where it is possible to interpret the law in a way that are consistent with the best interests of some of the agricultural community, that is, the Kentucky burley tobacco grower, I hope we will have better interpretations in the future.

Shifting subjects, I'm wondering if you could tell me how much money was included in the fiscal 1987 budget for all functions related to export initiatives?

Mr. DEWHURST. Fiscal 1987, Senator?

Senator MCCONNELL. Yes.

Mr. DEWHURST. In fiscal 1987 there is $5½ billion for export credit guarantees, of which $5 billion is for short-term guarantees and the remainder is for intermediate term guarantees. It depends on how you define the term. There's almost $1.5 billion for the Public Law 480 program; there's $85 million for the work of the Foreign Agricultural Service; and there's money for the Targeted Export Assistance Program. It's $110 million in 1987.

Senator MCCONNELL. Will there be any unused money at the end of the year?

Secretary LYNG. I don't think so. I can't speak for sure on the loan guarantees. This is near the amount that we used in the last fiscal year, so it should be pretty close.

Senator MCCONNELL. Is there anything you need from us in terms of authorizing legislation to improve the effectiveness of the existing export initiatives that we have available to us under existing law?

Secretary LYNG. I don't have anything that comes to mind immediately, Senator McConnell, where we need additional authorities. It would seem to me that we have rather broad authorities now in terms of the way we can use these funds. I'm not prepared to ask for anything at this point.

Senator MCCONNELL. What is, Mr. Secretary, your budgetary analysis of the total costs that might be associated with some kind of mandatory production control program such as that I suppose advocated by Senator Harkin?

Secretary LYNG. Well, we haven't done a complete study of it. Without knowing more details of the specifics of such a proposal, it is difficult to know. The total costs of such a program could be awesome if you take into consideration the loss of jobs and the effect it would have on the supply industries as well as the processing industries. The net cost to the Government in a tight supply managment system could be a good deal less, but there could be a substantial transfer of costs from the Government to the consumer. But those would be somewhat difficult to estimate with precision.

Senator MCCONNELL. If you had to place a mandatory control program and you coupled that with large export subsidies, what effect would that have on GATT negotiations, in your view?

Secretary LYNG. Well, I suppose it would be the kind of thing that would discourage the GATT and make it more difficult. We would have to acknowledge that such a proposal is in essence the program of the European Community which we would hope could be changed in GATT negotiations. To some extent, we have similar programs.

Senator MCCONNELL. Do you have any optimism that that might change?

Secretary LYNG. I think it's essential. If we are going to have an agricultural export system in this world that is not increasingly chaotic, there has to be some change. Thoughtful people on both sides of the Atlantic are seeing that we cannot continue to go the way we are with using the treasuries of our governments as the determining factor of what our international trade will be, with no constraints, with no rules of trade. It can be very problematical for our farmers and our people that are involved in agricultural trade.

Senator MCCONNELL. Shifting subjects a bit, as you can imagine, my office, and I'm sure others, have been deluged with calls in the past month regarding implementation of this sodbuster provision of the 1985 bill. My staff people have discussed our problems with ASCS and the Soil Conservation Service, and frankly I believe the problems of implementation may not be as serious as some of the farmers think. However, in this, as in so many other things, there appears to be an information vacuum where the message obviously isn't being delivered to the farmer. I'm wondering, in light of this particular example, whether we shouldn't reconsider or consider expanding the Extension Service information and educational programs rather than reducing them.

Secretary LYNG. I'm not aware that we were reducing the information program. Do you know, Pete?

Mr. MYERS. We are not.

Senator MCCONNELL. You are not doing that, is that what you said?

Mr. MYERS. We are not. In fact, we have a concentrated effort to bring information to the agricultural public, which includes the Extension Service.

Senator MCCONNELL. What are you doing other than running that through the Extension Service? What are the other ways?

Mr. MYERS. The other Federal agencies in every State are working. We have the information out there. All of the heads of the Federal agencies are very much involved in disseminating this information. This effort has been coordinated through the Depart-

ment. Extension is a big part, but all the other Federal agencies and some State agencies are involved. I'm not familiar with what's specifically going on in Kentucky, but knowing the personnel there I think they are putting out the information.

Secretary LYNG. This would include agencies like ASCS and Soil Conservation and others. We are trying to get the word out. There is a fear of the compliance requirements, I think.

Senator MCCONNELL. I'm sorry, I couldn't hear you.

Secretary LYNG. There's a fear of the compliance requirements. We don't think it will be as onerous as some people fear it might be.

Senator MCCONNELL. Is the proposal to use loan guarantees in lieu of direct loans to rural electric and telephone co-ops really sort of a backdoor attempt to get the Government out of the REA business?

Secretary LYNG. Oh, no, I don't think so. It's more consistent with other programs where we have proposed to use loan guarantees. I guess it could be argued that the interest rates that are going to prevail in these programs will be higher than they were with some of the loans that we've had in the past in those areas. To that extent we have been trying to get the Government role diminished.

Senator MCCONNELL. Thank you. My time is up.

The CHAIRMAN. The Senator from North Dakota. You not only share boundaries, you share microphones?

Senator CONRAD. That's the North Dakota-South Dakota ethic.

Mr. Secretary, we were having a discussion at the Budget Committee, and I'd like to pursue it, because I think it's very important to explore the underlying economic basis for the problems that we face. I'm convinced that you are a sincere person, want to solve the problems—I think all of us are. But I think it's time to admit that the farm policy in place is just a disaster. I think if you would go to my home State you would find that people overwhelmingly feel this program just is not working. We are spending record amounts of money, we still have record farm failures, prices have collapsed, exports have not increased commensurately. Somewhere we are off in the wrong direction.

It seems to me that we have to look at the underlying program. You talk about farm income—I think that translates directly to price. Prices are simply too low. What are we going to do to affect the price side of this equation? Obviously that goes to the supply-demand relationship and the fact that there are tremendous surplus stock overhangs in the market, and that raises the question: What can we do to reduce supply and increase demand? Those are the two elements here.

It seems to me, on the supply side, that we have an opportunity to deal with the other major producers. We met this morning with people from the European Community, representing the European Parliament. They tell us they are very interested in pursuing an attempt, a joint attempt, to reduce supply—not market-sharing, not market-sharing, which sets off all the alarm bells—but a coordinated effort among all of us who are the major producers to reduce supply. The Australian ambassador called the other day; he wants to come and meet about a proposal like that. Two members of the

Canadian parliament came to meet with me, who are interested in pursuing that approach. The French agriculture minister indicated, when he was here in December, that they are interested in meeting on both parts of that equation, reducing supply, increasing demand.

We talked about the meeting that you have coming up in late February, and I'm wondering now if there's been any further thought given to talking with those other major producers who are going to attend that meeting in San Diego about some joint efforts to reduce supply and increase demand.

Secretary LYNG. Well, we will talk about it, of course, as we always have. These meetings have been going on for years. It's only the last year, and this year, that they have been at the ministerial level. There will be five countries represented—the United States is hosting it, I personally will be hosting it. And the ministers of agriculture of Argentina, Australia, Canada, and the European Community, the five major grain-producing nations in the world will be present.

The United States will again, as we have for years, point out that we are one of the few, if not the only one in the world, that is making any effort to reduce our production, and to have our production somewhat in balance with demand. The fact is we reduce our acreage, but either the demand goes down or the production goes up per acre and it hasn't corrected the problem. Part of the reason is because when we have taken these larger reductions, we've seen other countries expand their production.

Senator CONRAD. So we know that's not going to work, right? I mean, I think there's a strong consensus that all of us recognize that going it alone is not going to work.

Secretary LYNG. That's correct.

Senator CONRAD. Do you have a proposal which you are going to take to this meeting, something specific to put on the table to try to get agreement from the others, that we join in that kind of effort together?

Secretary LYNG. Yes, our proposal will be that we, as the five leading grain producers, work very hard to get these GATT negotiations under way in agriculture, because, you see, it would be of no value if the five of us agreed on something that had the effect of increasing prices. We would then suddenly see other countries increase their production of wheat. What we need is something on a more global basis, and the GATT is the only one that exists, with over 90 contracting parties.

Senator CONRAD. How much of the, for example, world supply of of wheat comes from the five major producers?

Secretary LYNG. Oh, a vast majority, I think perhaps 80 percent—I don't have that figure here. But that isn't to stop the others from producing more.

Senator CONRAD. I think that is approximately correct. It's over 80 percent for exports, but about 40 percent of world production.

Secretary LYNG. But there are many other countries that can produce wheat and that are producing wheat. And if you stimulate the price—if the five major exporting countries do something to stimulate the price, you just increase the production elsewhere.

Senator CONRAD. Has there been an analysis made of prices which would significantly add production from countries outside the five? Has there been a specific analysis of that which would tell us where price breaks come?

Secretary LYNG. There have been many, but they are complicated analyses. I noticed that the Farm Journal in a recent edition did some analysis of what it cost to produce wheat in the United States for individual farmers. And the range was——

Senator CONRAD. Enormous.

Secretary LYNG. It was large, the range, with some people thinking they could produce wheat for $1½ or $2 a bushel lower than somebody else could. One of the factors that hurt us when we had the 1981 bill was the loan level on wheat, which was quite a bit higher. When that was translated from U.S. dollars, into the Canadian currency or Australian or Argentine currencies it stimulated production in those countries, because the U.S. once was the floor that became a world floor. Our newer policy, the one under the 1985 bill, is having quite the opposite effect. It's discouraging production in those countries. That's why the Australians and the Canadians are coming to see you, because they are disturbed about what's going on.

Senator CONRAD. But, believe me, they aren't the only ones who are disturbed. The farmers in my State are disturbed; the farmers in my State are going broke just like they are in Australia and Canada, and they can't wait; I mean, we are talking about people who are going under day after day after day. And when I go home this week, they are going to be very upset; they are going to want to know what are you going to do that's going to make this situation better. They aren't talking about a 2-year GATT negotiation; they want to know what is the plan, what are we going to do now. What are we supposed to tell them?

Secretary LYNG. What do you suggest, Senator?

Senator CONRAD. I'm asking you.

Secretary LYNG. I don't have a suggestion.

Senator CONRAD. That's what troubles me.

Secretary LYNG. Well, I'll be at least candid with you. I don't have a suggestion that will satisfy what your constituents, as you describe, want. There is no way that you can instantly increase the price.

Senator CONRAD. They are not unrealistic; they want to know what the plan is.

Secretary LYNG. Our plan, as I've said in my testimony, and I've said it over and over—I've said it with you personally—is to stay the course in terms of the 1985 farm bill.

Senator CONRAD. But farmers don't buy that anymore, Mr. Secretary; they don't buy it. They look at what's happening, they see record expenditures, they don't see exports going up commensurately. They say that plan isn't going to work. Is there a fall-back? Do you have an alternative plan?

Secretary LYNG. There's no fall-back. The law is clear. We have been talking all morning about possible modifications in the law. There will be other proposals made by other people. As far as the Administration is concerned, we pay a lot of attention to the contribution we are making to net farm income. The amount of Feder-

al funds that have been distributed in your State set a record this last year.

Senator CONRAD. Absolutely, but we've got record hurt, too. That to me is the indicator of how serious the failure is: we've got all this money being spent and still people are going broke in record numbers. That sort of capsulizes the problem. This program isn't working.

Secretary LYNG. There are some problems all over the country in supported crops, in nonsupported crops.

Senator CONRAD. I'll tell you one place it is working: sugar. And you want to kill that program. We have one area where it's working, the one place that I could look in the agriculture community in my State and say things are reasonably healthy, and that you want to mess up.

Secretary LYNG. I'm sure we'll be having an opportunity to discuss the sugar program after we introduce that legislation. It will be controversial. But if we continue it the way we are, we will stop importing sugar, first, and then, secondly, we'll stop producing sugar, because we won't need it. We will be using substitute sweeteners—that's the trend line, and there is nothing in the future to block that that I can see.

Senator CONRAD. Well, just to end here, I think this Administration desperately needs to go back to the drawing boards—and we need to join you there. I've got ideas, frankly, I think on the budget deficit; we have to be much more bold than the Administration has been in a whole series of areas to help the underlying economics of agriculture. But this isn't going to do it.

Secretary LYNG. Well, we understand your impatience, Senator. I certainly do. I'd welcome answers to the problem. The current legislation, 1985, was worked out, as Senator Zorinsky said earlier, in many, many long days of negotiation between the House and the Senate and the Administration.

The CHAIRMAN. I recall a number of those hours.

Secretary LYNG. It is not a Reagan Administration farm program, nor is it a Democratic farm program; it was one that we worked out through compromise after compromise.

Senator CONRAD. The farmers would say—they don't care either, they don't care if it's Republican, Democrat—they would say it's a fundamentally flawed program because what we are trying to do is cut price to get to farm prosperity instead of dealing with all of the other underlying economic factors that are wrecking agriculture.

If we don't jointly deal with those underlying problems, history is going to treat us very harshly—you and me and all the rest of us. This isn't enough. What I am saying to you is: what we are doing is not enough. We've got to do debt restructure, we've got to do something about the supply-demand imbalance, aggressively do something about it, and we've got to do something about the whole litany of problems—the credit problems—and we are not doing enough; this isn't satisfactory.

Secretary LYNG. Well, I'll try, but I have no illusions. History has tended to show all Secretaries of Agriculture in a bad light.

Senator CONRAD. Well, we'd like to work together so Secretary Lyng comes out a hero.

Secretary LYNG. Thank you, I welcome that.

The CHAIRMAN. The Senator from Missouri.

Senator BOND. Thank you, Mr. Chairman. Mr. Secretary, we have talked a good deal today about bringing supply and demand in balance with our commodity programs, as well as using the conservation reserve. And now you are introducing another plan, this decoupling proposal.

How much would you feel that decoupling, along with the conservation reserve, could reduce, say, corn and wheat production? Do you have a target figure as to what you would like to see in the way of a reduction?

Secretary LYNG. We really don't, Senator. We can take a look at what we anticipate the carryover to be. At the end of this crop year, and we as move into the marketing of the 1987 crop, we will almost certainly have ending stocks of corn of 5 billion bushels. We would very much like to see that reduced as we move through the 1988 crop. If we could do it with the 1987 crop, we would, but I don't think we can get legislation passed quickly enough. Whether that could reduce it as much as a billion bushels of corn would remain to be seen, but it would be quite a helpful amount on a single year if we could do that.

Wheat would be a smaller number because the total is smaller. We could stand a reduction of wheat stocks by half a billion bushels and still have plenty of wheat.

Senator BOND. What would a reduction in that level do to the farm support jobs in rural communities?

Secretary LYNG. Well, of course, reductions in acreage are always unpleasant to the people that are in the agricultural supply business, the inputs of machinery and equipment, chemicals, fertilizers, and so forth. But when we have these huge surpluses, it seems to me they cannot expect the Government to continue to stimulate massive production just in order to keep the support of processing industries happy. And, of course, in terms of total quantity in storage and that sort of thing, there will still be plenty. I'm not suggesting that we can create scarcity here. We would never do that.

Senator BOND. Under this decoupling proposal, then, there would be no impact on our export markets, I assume.

Secretary LYNG. That's right, we would never contemplate reducing it to the point where other nations could expand their production at our loss.

Senator BOND. To contrast that, since there's been some suggestion—and we have heard of proposals for mandatory supply control—what would be the percentage reduction required, say, if we were to take a different tack and pursue mandatory production controls on corn, wheat, and others? How far would you have to cut that production back to achieve a desirable income level for farmers?

Secretary LYNG. It would have to be massive. In the first year, you would have to do something like 60 percent reduction, it seems to me, 55 or 60 percent reduction on wheat, somewhat lower numbers on corn and other commodities. But it would still be massive. And that would only be in the first year, because if you cut acreage back sufficiently to get the price higher, you will also have a diminishing size of your market—substitutions will take place, imports will take place. Until imports are restricted with some offsetting

legislation, you'll see either prices coming back down or you will have to reduce production again. To come up with a firm estimate like you are suggesting for programs like that, you need to work out a model for a number of years. But clearly it gets to be a horrible number. You just gradually shrink U.S. agricultural production to a point where you don't have much anymore. For example, just take hogs; we have no restrictions now on pork coming into this country like we do on beef. If you increase the price of corn very much, people would start producing swine elsewhere and we'd be importing. So you'd then have to restrict those imports. The whole problem is so massive that you can't come up with an easy estimate.

I suppose if we had a specific proposal and we run our computers and build some models, we could come up with some figures like that. But they would be full of conjecture and we would be making all kinds of assumptions.

Senator BOND. Wouldn't you necessarily have to include import barriers or substantial restrictions with any kind of mandatory production controls to avoid the loss of sales to overseas sources?

Secretary LYNG. Precisely. It's the same thing as the sugar program. When you raise the support price on sugar to 18 cents with the world price below 6 cents, you have to have very complex import controls not only on sugar but on products containing sugar. Our methods to do that have always been somewhat imperfect.

Senator BOND. Let me move back to the decoupling proposal for just a minute to ask—you indicated that there would be a prohibition on raising any other crops, if a farmer received payment without production under the decoupling proposal—is that correct?

Secretary LYNG. Yes, I think it's very essential that in the legislation we do not permit the production of other crops. Last year in the 50/92 program in the 1985 farm bill, it permitted the production of nonprogram crops. That was so disruption in a number of crops which do not have Government programs that farmers of these crops virtually marched on Washington and got the law changed. It still permitted the production of hay and grazing in some States. That in turn caused some problems for hay producers and added production of pasture where it really wasn't needed.

I really think if you are going to pay people not to produce, they must not produce anything, because there is competition in all of these commodities. Farmers that are producing nonsupported commodities certainly should not be penalized because of this kind of a program.

Senator BOND. I think, to support that, you see at least in our part of the country nature's production controls on wheat in Missouri when we had hard freezes a year ago, led many farmers to shift into corn, which added to the corn surplus and glut that we have.

But one final question on decoupling. I am interested—how would decoupling payments affect the farmer who rents his land, either cash rent or crops it? What would happen to that person who is not a major landowner, the type that gets much of his income from farming rented land?

Secretary LYNG. As I understand it, the base is clearly defined as either that of the tenant or the landlord. The arrangement has to be worked out between them on these things, as it is today, on who gets the deficiency payments. If it's a cash rent arrangement, then, of course, it's not a problem, but if it's a share rent arrangement, it seems to me that becomes an issue between the renter and the landlord.

Senator BOND. Well, if a landlord is going to get—I don't think you have the same basis for bargaining. If nothing is going to be planted there, it would seem to me that the landlord could say I'll just take the 92 percent and leave the farmer out of it, couldn't he?

Secretary LYNG. A landlord or operator cannot, to my knowledge, deprive a tenant or sharecropper of a chance to participate in the program in order to receive the full 92 percent. A tenant or sharecropper must be provided an opportunity to participate in the program.

Senator BOND. Thank you, Mr. Secretary.

The CHAIRMAN. The Senator from South Dakota will get the opportunity to do the wrap-up for everybody.

STATEMENT OF HON. TOM DASCHLE, A U.S. SENATOR FROM SOUTH DAKOTA

Senator DASCHLE. Thank you, Mr. Chairman, and Secretary Lyng, for your patience and willingness to come before the committee. This is the first meeting that I've had in Washington in 5 months to talk directly to the agricultural issues. I can't help think, having listened to all of our Senators and having listened to your answers, what an incredible contrast it is to be here in Washington versus being in South Dakota. The frustration you find in listening to Senator Zorinsky or perhaps Senator Conrad, is that there really is a substantial difference in the environment within which we are addressing this issue.

Here, not to be derogatory, there is a sterile atmosphere within which we talk about these problems, removed entirely, unaffected, in a sense, by what's happening in rural communities. Out there in a room this size you'd have urgency the likes of which you just can't describe unless you're there—and you've been there, you know what we're talking about. People standing along the walls on all sides, you know, screaming sometimes for some of us who represent them to respond more effectively, as Senator Conrad was saying.

Then you can't help but want to respond, to say yes, we will do better. Somehow we are going to be more effective in responding to your needs and your cry for help.

Then we come here and it's like business as usual. People sit here very calmly, very quietly; we all ask these questions in a time frame of 10 minutes; we all leave, we go to lunch, time goes on, I go to the next committee meeting, and we'll come back and deal with this again tomorrow.

Somehow there's got to be a greater sense of urgency about what's happening out there, if we measure success by whether or not we can stop attrition.

This morning—I can't think of quite the term—but maybe it's "wordspeak." And you are one of the most adept witnesses I've ever had come before me, and I applaud you for that. You're adept in that you can deflect questions. You're adept in that you can turn questions around very ably and to your benefit—but "wordspeak" in the sense that you say we are not slashing the program, we are just modifying it. That we are not changing anything, we are staying the course. That we are not talking welfare here, we are talking decoupling. That's "wordspeak" to me. You know, a spade is a spade is a spade.

It seems to me that we are slashing this program. We are changing the course, and we are talking about something vastly different in philosophy for farm programs than we have ever had in the past. I think we all ought to be honest with ourselves and just be up front. You bet we are changing the course. I don't think there's anything wrong with admitting that.

I don't know how we measure success. But I'd be interested in knowing if you think whether or not we judge attrition accurately, given retirements—obviously there is some conjecture about how attrition ought to be measured—but is attrition one measure of the success of a farm program, in your opinion?

Secretary LYNG. No, I think that a farm program should not have as its goal the determination of what size farms we should have, or who should be farming, or what geographical areas should be in production.

Senator DASCHLE. This is bordering on "wordspeak" again. Tell me or not. Do you think the number of farms we have today versus the number of farms we will have a year from now ought to be one measure by which we judge success?

Secretary LYNG. No.

Senator DASCHLE. Now, if you were going to go in the White House and you had Caspar Weinberger sitting right next to you and Caspar Weinberger said we are losing countries in Latin America, we are losing countries in Africa, we are losing countries in Asia, and, by God, we had better change foreign policy, would you challenge him on that?

Secretary LYNG. I have.

Senator DASCHLE. Well, at least you are consistent. [Laughter.]

I have to tell you that you and I have a fundamental disagreement; if you go on Wall Street and Wall Street told you today that we are losing businesses in the numbers we are or that the stock market has plunged because attrition has again taken its toll, I can't help but believe that the number of units, whatever it is, and the stability that we create with those units is a very important measure of success. But clearly that's what points out the differences in your philosophy and that by many of us here today.

Do you ever do, for lack of a better term, an income-impact study with regard to the policies that you are articulating?

Secretary LYNG. I believe so, yes; we'd be happy to submit one for you.

Senator DASCHLE. Well, give me your latest verbal summary of what you think the income impact has been over the last year.

Secretary LYNG. We had the highest net cash farm income in calendar 1986—the highest ever, with almost a third of that coming from direct Government payments.

Senator DASCHLE. OK, let's take out Government payments for a minute, because we can all argue that point until we are blue in the face. But if we have seen the highest net farm income, as you say, why do we have the highest attrition last year projected than we've had at any time in the last 6 years?

Secretary LYNG. We had the highest debt-to-asset ratio.

Senator DASCHLE. Why is that?

Secretary LYNG. Well, a good part of it was that land values had become very high during a period of inflation in the late seventies, and the credit that was extended for people to borrow was done at relatively very low rates of interest. Farmers went out and borrowed huge amounts of money relative to the earning capacity of that land. For most of those farmers that got in difficulty, it's been because of debt.

In spite of the fact that net cash farm income was the highest in history, it was still not enough for many farmers to service the debt load that they had on that property.

Senator DASCHLE. But, Mr. Secretary, if this crowd could talk I think half of them would beg to differ very vehemently, emphatically, emotionally even. You talk about debt. Why is there debt? There is debt because income has not been able to keep pace with the costs that they are incurring on an annual basis. Clearly. What other reason would there be for debt. If income was matching or exceeding the amount of expenditures incurred by any farm unit or any business, you wouldn't have debt. But that's not the case.

Regardless of whatever "wordspeak" figures we use with income, the fact is that it is not keeping up with the pace of the cost of living that these farmers are incurring. As a result, we are seeing debt; as a result, we are seeing attrition; as a result of attrition, we have the kind of situation going way beyond agricultural policy—we are talking about sociological policy. We are talking about a demographic shift the likes of which we will never probably see again. And yet we sit here and talk so calmly about how this is just staying the course.

I know that I am probably way beyond my time, but let me ask you one nuts-and-bolts question, because it just defies belief to me. Here we have an Administration who has said, all right, we've got to count on experts a little bit more, we've got to rely more on trade, we've got to increase the amount of availability abroad. But then what do I see in Public Law 480? You have actually requested or proposed that we reduce Public Law 480. The funds for Food for Peace are actually going down in this budget.

Now, is that not contrary to what you've said all morning about the importance of increasing trade abroad and developing the kind of markets that we need to ensure that we don't have to rely upon the mandatory supply controls you've been opposing?

Secretary LYNG. No, I pointed out—perhaps you missed it—that even though the dollar outlays are down slightly, the volume of shipments—because the price is lower, we will be able to ship more.

Senator DASCHLE. Well, let me just ask—here we go again. I mean, if this isn't as classic an example of "wordspeak," I don't know what is. If you were a customer and you had the opportunity to buy more for less, wouldn't you use the available dollars to buy all that you could? Why wouldn't it be in your interest, advocating, as you do, the need to expand the exports, to provide more of a relief for the supply problems we have in this country abroad—why wouldn't you increase rather than decrease, given the availability we've got. Given the costs in terms of storage—and they must be phenomenal, I'd like to spend just 10 minutes talking about storage costs over the last year. Can't we argue very, very persuasively in the White House and before OMB that it is in our budgetary best interest to be doubling the size of Food for Peace, not cutting it back?

Secretary LYNG. Well, there can be surely arguments for that. But in a tight budget situation a program that maintains the volume you've been shipping and takes care of those obligations that you have and gives you an opportunity in that particular place to reduce the budget is pretty attractive. So these are the kinds of priorities that we are faced with in setting this budget. There's a lot of things in the budget that are lower than I might like or that the President might like or that you might like. But it's the problem you get into when you are talking about priorities.

Senator DASCHLE. Well, I'll tell you what, when it comes to priorities, if you want to store it, we've got a plan; but if you want to sell it or send it abroad, it seems that we are a ship without a rudder. We don't have the kind of resources to match the rhetoric in the White House and in the Department of Agriculture when it comes to the problems we've got there. It appears that this Administration would much rather store than send. I think it's indicative in the budget proposal and it's certainly indicative in the kind of priorities you've outlined this morning.

I thank the Secretary and I thank the Chairman for his indulgence and appreciate the opportunity as we have had this morning.

The CHAIRMAN. We will keep the record open until close of business tomorrow for any Senator who wants to submit questions for the record.

I have just one last question. We've talked about the target price cut—and I know, Mr. Secretary, that we've gone beyond the time that we had thought—but based on what little we know about the target price cut, the Congressional Budget Office has tentatively estimated that it would reduce farm income by 25 percent. The wheat growers have said the loss is higher. They put it at 33 percent. Do you agree with those figures?

Secretary LYNG. No, I don't, Mr. Chairman, because when you make those assumptions you are assuming all of the other factors remain the same. By the time we move into those periods, we believe that the export thrust of the legislation combined with the effect we are having with our competition will improve the market situation and a large portion of farm income will come from the market place—maybe not enough to totally offset the decline in the target prices, but we think that you can't just look at the reduction in the target prices, as those projections do.

The CHAIRMAN. What about farmers going out of business as a result of this proposal? I expect this is a question I will be asked over and over again next week out in the Midwest. Will this proposal have farmers going out of busienss?

Secretary LYNG. Oh, I suppose it would be totally faulty to say that if you left the program alone that no farmers would go out of buiness. I think you perhaps have to compare the two. In the long term we have to make a decision. Are we going to continue to spend $26 billion or $30 billion, are we going to transfer that much money from the nonfarm population to a segment of the farm population, keeping in mind that about half of our farm income is in crops and commodities that have no target prices and no support programs at all? So it's a movement of large volumes of money to a relatively small number of people. And if by reducing that amount, are you going to make any great changes in the number of farmers that leave? I don't think so.

The CHAIRMAN. But last year your Economic Research Service surveyed one and a half million farmers; nearly half of them, 700,000, said they had losses. Aren't they facing further losses?

Secretary LYNG. I think they materially improved by 1986. I think you are referring to 1984 or 1985.

The CHAIRMAN. Well, Mr. Secretary, I appreciate your being here. I am sure there will be follow-up questions from others, and we will look forward with varying degrees of enthusiasm to seeing the legislation you will send up, and I expect we will probably be chatting with you and members of your Department a lot more.

Senator Bond, you didn't have anything futher?

Senator BOND. No, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Secretary.

[Whereupon, at 12:46 p.m., the Committee adjourned, subject to call of the Chair.]

[The following material was subsequently received by the Committee:]

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC, February 11, 1987.

Hon. RICHARD E. LYNG,
Secretary of Agriculture,
Department of Agriculture,
Washington, DC.

DEAR MR. SECRETARY: I appreciate your testifying before the Committee last week.

As I mentioned at the conclusion of the hearing, enclosed are additional questions from Committee members which are being submitted to you for written answers. I would appreciate receiving your answers to the questions by March 16 so that the hearing record may be printed as soon as possible.

Thank you for your cooperation.

Sincerely,

PATRICK LEAHY,
Chairman.

Enclosures.

MARCH 13, 1987.

Hon. PATRICK LEAHY,
Chairman, Committee on Agriculture, Nutrition and Forestry,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: This is in reply to your letter of February 11, 1987, to Secretary Lyng requesting additional information that members of the Committee requested related to the Secretary's testimony on February 4.

We are providing this information directly to your staff.

Sincerely,

STEPHEN DEWHURST,
Director, Office of Budget,
and Program Analysis.

[Questions from Senator Leahy and Secretary Lyng's answers thereto:]

CCC OUTLAYS

Question 1. The Administration has pointed out that Commodity Credit Corporation outlays have risen from $4 billion in 1981 to $25.8 billion in 1986. What has caused this increase? Hasn't Congress been reducing price and income support levels since 1981 requiring more supply management? Based on current services, aren't price supports supposed to decline, not increase, in coming years?

Answer. Commodity Credit Corporation—CCC—outlays have increased from an average of under $8.9 billion in the first half of the 1980's to about $18 billion in FY 1985 and $25 billion in fiscal years 1986 and 1987. The large increase is due both to record producer participation in CCC programs during a time of seriously depressed farm economic conditions and to the transition period resulting from the enactment of the Food Security Act of 1985.

The Agriculture and Food Act of 1981, covering the 1982–1985 crop years, actually set minimum target prices which increased annually. Loan rates were discretionary for most crops but subject to minimum levels under the 1981 Act.

The 1985 Act, in an attempt to reverse the trend toward annual increases in target prices and to encourage a more market-oriented farm economy, froze 1986-crop target prices for all program crops at the 1985 levels. For 1987, target prices were again frozen for wheat and feed grains, and were lowered marginally for cotton and rice. At the same time, loan rates were reduced significantly for these crops resulting in record deficiency payments. Loan placements also increased as farm prices fell to the same level as CCC loan rates or below.

The combination of record deficiency payments and loan placements caused CCC outlays to skyrocket. As both the domestic and foreign markets respond to the market-oriented policies of the 1985 Act, it is expected that increased demand for agricultural commodities will increase farm prices, thus reducing CCC outlays.

Question 2. Isn't it true that your proposals to reform price supports really don't save us any money in fiscal 1988?

Answer. The President's Budget includes legislative proposals to modify the current provisions of the CCC price support and related programs. Included among the proposals being considered is a reduction in statutorily mandated target prices, elimination of a requirement to plant a program crop in order to receive a deficiency payment, and revisions in the sugar program

Since most changes would not have a significant impact on current 1987 crops, it is true that the related savings would not result in signficant reductions in net expenditures until after FY 1988. Savings from these legislative proposals of over $20 billion are reflected in the budget for the FY 1988–1992 period.

Question 3. Your budget summary states that the CCC will need another $6.6 billion by the spring to carry it through the rest of fiscal 1987. Here are the Administration's estimates of annual CCC outlays at the time its budget was proposed, followed by actual outlays:

[In billions of dollars]

	When proposed	Actual
Fiscal year:		
1982	2.2	11.7
1983	1.8	18.9
1984	9.3	7.3
1985	10.8	17.7
1986	10.5	25.8

Recognizing that the weather and other unpredictables make it difficult to estimate—wouldn't a study of our past calculations provide us with some clues on how we might avoid such wide errors in the future?

Answer. A study of our past calculations would certainly be an aid in estimating outlays for CCC. However, these outlay estimates are largely tied to size of crops, demand factors, related market price implications, and the level of farmer participation in the price support programs. These variables are highly unpredictable and will always be major factors contributing to variations between estimated and actual CCC outlays.

The Department has been cooperating with the General Accounting Office for about ten months in its review of CCC budget estimating techniques. In addition, USDA established a working group represented by the Department's Budget Office, ASCS, and the World Agricultural Outlook Board to conduct a review of the procedures used to develop CCC budget estimates. The group is examining opportunities to ensure improved use of information in developing and monitoring projections. The working group is also examining ways to enhance government and public understanding of the inherent uncertainties of CCC estimates.

The President has said that each nonfarm family spent an average of more than $425 to support farm prices and incomes in 1986—about 1.5% of 1985 median income. (Most 1986 spending reflects programs in effect *before* the 1985 farm bill.)

Question 4a. What will be a nonfarm family's annual contribution as a result of the 1985 Act, as now written?

Answer. In 1986 the total outlay for price and income support activities amounted to $25.8 billion. With an estimated 62.5 million nonfarm families, this cost averaged $413 for each family. Over the five year period, 1986–1990, total farm program costs are projected at $114.6 billion, about $23 billion per year, of which about $49.3 billion are in the form of deficiency, diversion and conservation payments, the remainder is due to loans, dairy price supports and other smaller programs. Projections of total farm program costs under the 1981 farm bill were about $49.5 billion over FYs 1982–1985, about $12.4 billion per year. This difference amounts to $170 per family per year. Direct payments to farmers, which account for the bulk of farm program outlays are projected to decline significantly over the life of the bill. Thus, the heaviest tax burden is during the early years, 1986–1987.

Question 4b. What is the retail food price reduction attributable to the 1985 Act, and how will this reduction offset the nonfarm family's contribution to food program costs?

Answer. Consumers are directly affected by farm programs through effects on food prices. In this respect, high support prices generally adversely affect consumers by raising retail food prices compared to what might be expected in the absence of such legislation. The 1985 Act, by moving to lower support prices and a market oriented farm policy, will serve to lower food prices compared to what would have been expected under the previous farm bill. It has been estimated that food prices will average 1.3 percent less than the prices that would have prevailed under the 1981 Farm Bill. This reduction translates to an average savings of $74 per year for each nonfarm family's grocery bills.

Question 4c. Can you provide data (by income level) on U.S. families' average food bill, including retail spending and farm program costs?

Answer.

ANNUAL AVERAGE INCOME, EXPENDITURES, AND TAX CONTRIBUTIONS OF FAMILIES IN THE UNITED STATES CLASSIFIED BY QUINTILES OF INCOME

Item	U.S. average	Lowest 20 percent	2d 20 percent	3d 20 percent	4th 20 percent	Highest 20 percent
Average income [1]	$22,702	$4,097	$10,611	$18,129	$28,231	$52,267
Average taxes [1]	2,520	112	602	1,634	3,148	7,076
Taxes to support farm programs under 85 FSA	13	19	99	268	517	1,162
Estimated taxes to support new programs under FSA 85 relative to 81 farm bill [2]	153	9	47	128	246	668
Food expenditure [1]	3,137	1,753	2,333	2,877	3,606	4,834
Savings due to food price reduction [3]	74	42	57	70	87	117

[1] Based on Consumer Expenditure Survey BLS. 1982–83.
[2] Based on projected program cost differences.
[3] Based on projected price reduction of FSA 1985.

Question 5. USDA is supposed to report in a few weeks on farmers' practices with regard to the annual payment limit, with recommendations for change if needed. This report was requested by the Government-wide continuing resolution for FY 1987. Will the March 1 report be on time? What kind of recommendations do you foresee emerging? Will these encompass your forthcoming proposals to close "loopholes" in the payment limitation? Will this tightening be a part of proposed legislation, or can you accomplish them through administrative action?

Answer. The report will be submitted shortly to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate. The report deals primarily with a review of the current implementation of the payment limitation and methods which are being employed by individuals and farm organizations to effectively avoid the application of that limitation. It also discusses in detail the Department's proposed revisions to the manner in which the payment limitation is implemented. These proposals represent a comprehensive plan designed to make the implementation of the maximum payment limitation more effective and more equitable. Any recommendations will most likely be implemented through proposed legislation.

PAYMENT LIMITATION

Question 6. Regarding your proposal to bring most farm payments under the $50,000 annual limitation, please provide, for the record, data—by crop and region—on how large a farm would have to be to hit the limit.

Answer. [The information follows:]

ACREAGE SIZE REQUIRED TO RECEIVE $50,000 IN PROGRAM PAYMENTS, BY REGION AND PROGRAM CROP

Program crop [1]	1987 Projected deficiency payment rate [2] (dollar unit)	Acres—							
		Pacific Northwest	Southern plains	Nothern plains	Southwest	Midwest	Northeast	Southeast	United States
Wheat	2.10	441	882	821	340	581	627	680	701
Corn	1.21	344	422	517	344	369	454	590	407
Sorghum	1.14	797	914	797	627	675	877	997	793
Barley	1.11	777	1,185	1,073	693	901	901	1,073	935
Oats	0.55	1,466	2,331	2,020	1,623	1,515	1,567	2,020	1,783
Upland Cotton [3]	0.2715	.....	384	.....	167	.....	.....	288	326
Rice [4]	0.0482	.....	214	.....	154	.....	.....	238	217
Rice [5]	0.0342	.....	125	.....	90	.....	.....	139	127

[1] Assumes 1 crop per farm and one producer per farm.
[2] Assumes total deficiency payment subject to payment limitation.
[3] Cotton marketing loan and loan deficiency payments not expected for 1987 crop.
[4] Only rice deficiency payment subject to payment limitation.
[5] Both rice deficiency payment and rice marketing loan gain subject to payment limitation.

DAIRY PRICE SUPPORT PROGRAM

Question 7. The cost of the dairy price support program appears to be dropping considerably as a result of the whole herd buyout. What's the current and future outlook for production and surpluses? Will the 1988 support cut be made? How will bovine growth hormone affect future output? What regions or types of producers are doing the best and worst jobs in balancing production with demand?

Answer. The estimated cost of the milk price support program in FY 1987 is expected to decline from the FY 1986 actual level due to lower CCC dairy purchases resulting from the Dairy Termination Program which was implemented to reduce milk production. Lower dairy outlays are also expected in FY 88 since a majority of the dairy termination payments, an estimated 60 percent, will be made in fiscal years 1986 and 1987 during the first two years' operation of the program.

Milk production in FY 87 is currently projected to be down about 2½ to 3 percent from FY 86. Commercial consumption is projected to increase about 1½ to 2 percent and CCC price support purchases of dairy products are expected to be between 6 and 7 billion pounds of milk equivalent. It is still too soon to determine with certainty

whether the supply-demand balance will reqire the 50-cent per hundredweight decrease in the support price on January 1, 1988.

The timing for approval of the bovine growth hormone or bovine somatotropin by the Food and Drug Administration is uncertain at this time and its rate of adoption by farmers is equally uncertain. A major study is being conducted by the Economic Research Service, examining the bovine growth hormone's potential effect on future dairy output.

Milk marketing in the United States is national in scope with production carried out on different type and size operations. Milk and dairy products move freely from one region of the country to another. Therefore, a balancing of production and demand must be looked at on a national basis and not on a region-by-region or individual producer basis.

Question 8. In 1983, USDA proposed new rules governing the amount of real cheese a meat pizza needed to be branded a "cheese pizza." You received thousands of comments on this rule; last spring you promised a final rule would be out within 30 days. What has caused the delay, and when can we expect it?

Answer. The proposed regulations remain under review and consideration.

SUGAR PROGRAM

Question 9. Regarding your proposal to end the sugar loan program and, presumably, allow more foreign supplies into the country: Aren't there better ways to assist our Philippine and Caribbean allies than at the expense of U.S. farmers? Won't your proposal for "transition payments" actually *add* $500 million to the Federal deficit in fiscal 1988 and $1.5-billion over several years?

Answer. We are not proposing to end the sugar loan program but rather to reduce the loan rate for raw cane sugar from a minimum of 18 cents a pound to 12 cents a pound. This reduction would greatly reduce market distortions caused by the gap between the price for domestic sugar and alternative sweeteners, and the world sugar price. This reduction would also make U.S. sugar prices more market-oriented, benefiting both producers and consumers. With a loan rate reduction, it would be possible to increase the import quota which would have a favorable impact on Philippine and Caribbean sugar exports.

The proposal for 4 years of "transition payments" to growers to enable them to adjust to the lower loan level will cost approximately $450 million in Fiscal Year 1988 and up to $1.1 billion over the 4-year payment period. While this may be a large cost in the short-run, over the long-run the elimination of price distortions caused by the current sugar loan program will save consumers over $3 billion a year in additional costs of sugar and other sweeteners, stabilize the job losses in the domestic cane refining and food processing industries, and allow efficient sugarcane and sugar beet growers to compete with foreign growers and alternative sweeteners. The excess production encouraged by artificially high loan rates under the current program would eventually result in forfeitures to the Government of the excess production and make administration of a no-net-cost program impossible once imports have been reduced to zero. This buildup of U.S. stocks, possibly leading to export subsidies or production controls, would involve considerable cost to the Government.

FARM CREDIT

Question 10. There appears to be growing concern about whether farmers will be able to obtain adequate credit for this year's spring plantings. Has USDA assessed the spring credit situation? If not, why not? If credit availability is a program, how will the Department address it?

Answer. The authorized loan level for FmHA farm lending this year is about the same as last year's level. A greater share of lending this year will be delivered through loans made by private lenders and guaranteed by FmHA. Our guaranteed lending program has been quite successful, growing from about $110 million in 1984 to $1.6 billion last year. Guaranteed loan obligations are up again this year. We believe we are on target and will meet the demand for spring planting credit.

Question 11. The 1985 Farm Bill gave you the authority to make advance recourse crop loans if needed to assure adequate operating credit.

Would you use that authority if necessary in 1987?

Answer. The Department chose not to offer advance recourse crop loans for the 1986 crops for two basic reasons: (1) producers were already receiving around $5.1 billion in advance deficiency payments, and (2) the risk of loss to CCC was considered too great if there was a crop disaster.

In general, the Department does not favor advance crop loans because such a policy represents a distortion of the long-established purpose of loans in supporting

prices. The total level of Government crop supports is already at such a level that it continues to stimulate excess production. Turning the price support loan program into a source of production credit would only worsen that aspect of the program, and, in turn, add to Government costs already at record levels.

For 1987, the Department is making available approximately $4.5 billion in advance 1987-crop deficiency payments and will not be offering advance crop loans.

Question 12. Banking interests have stated that lenders may be less willing to extend loans this year due to the perceived impact of the bankruptcy code's new chapter 12. This new chapter is intended to make it easier for a farmer in financial trouble to rearrange his debts and remain in business. Have you examined this provision and whether it actually will cause lenders to withhold loans this year? If not, why not?

Answer. Banks have been working with borrowers under financial stress for several years with restructuring and other forbearance procedures similar to provisions established in the new bankruptcy legislation. We do not expect any major reduction in credit supply because of the new law.

Question 13. The 1985 farm law required that a minimum 25 percent of all FmHA direct lending be made at lower interest rates to limited resource borrowers. What is FmHA's record so far in this area? How many of such borrowers have been served? At what interest rates?

Answer. FmHA has for several years far exceeded the minimum lending under the subsidized limited resource program. In 1986 the agency refinanced almost 30,000 existing loans at the lower limited resource rates. On a dollar basis, 73 cents of every dollar loaned in the direct operating and ownership loan programs were at the limited resource rates. Limited resource rates are currently 5 percent for ownership loans and 4.5 percent for operating loans.

Question 14. You told the House Budget Committee last month that USDA now has 4,000 farms in its portfolio, as a result of acquisitions from farmers who were forced out of business or left their land. Have you been able to sell any FmHA-held farms or farmland without depressing other land values, as the 1985 farm bill intended? Have sales or leases of such properties been to family-sized farms, as directed by the 1985 farm bill? Can you submit for the record detailed data on such properties, including the reason it was acquired and its ultimate disposition, if any, with emphasis on the above questions?

Answer. At the end of FY 1986 FmHA had a total of 4,900 farm properties in inventory. A total of 829 farms were sold during the year. As noted, sales are restricted where the sale will adversely affect real estate values in the area. Based on evidence of stabilizing land values, our inventory property sales have increased recently. The effect of these sales on area land values will be carefully monitored, and discontinued where values may be adversely affected.

We give first priority in sales from inventory to prior borrowers who lost the farm due to financial stress and to family-sized farmers. Where suitable family-sized buyers cannot be identified the property can be purchased by neighboring or other farmers ineligible for FmHA assistance. Additional information on inventory acquisition and disposition is provided in the following material.

[The material follows:]

OCT 28 1986

United States
Department of
Agriculture

Farmers
Home
Administration

Information
Resources
Management
Division

Statistics
and Reports
Branch

Farmer Program

Inventory

Property

Month Ending

September 30, 1986

** This is a PRELIMINARY report based on responses from approximately 98 percent of FmHA's County Offices.

REPORT NO. 01 — FARMER PROGRAM — 10/27/86 PAGE 1

INVENTORY PROPERTY AS OF SEPTEMBER, 1986

STATE	TOTAL OFFICES REPORTING	SUITABLE FARM	SURPLUS FARM	TOTAL FARM	TOTAL NONFARM	ACRES FARM	ACRES NONFARM	LEASED FARM	LEASED NONFARM
ALABAMA	56	15	5	20	3	3,177	175	0	0
ALASKA	2	0	0	0	0	0	0	0	0
ARIZONA	18	0	17	17	0	10,384	0	0	0
ARKANSAS	74	73	51	124	17	29,587	22	7	0
CALIFORNIA	24	74	33	107	8	36,265	45	27	4
COLORADO	22	90	20	110	2	52,883	16	21	0
CONNECTICUT	8	0	2	2	0	37	0	0	0
DELAWARE	4	0	1	1	0	6	0	0	0
FLORIDA	33	19	66	85	12	16,886	47	11	1
GEORGIA	58	27	106	133	3	35,642	16	9	0
HAWAII	6	0	0	0	0	0	0	0	0
IDAHO	28	56	108	164	2	53,369	3	22	0
ILLINOIS	61	107	32	139	2	20,546	91	32	0
INDIANA	39	65	93	158	0	22,233	0	16	0
IOWA	61	252	9	262	3	54,541	4	119	0
KANSAS	39	164	127	291	3	81,199	2	93	0
KENTUCKY	69	31	38	69	1	11,024	1	3	0
LOUISIANA	40	67	34	101	6	27,471	7	21	0
MAINE	28	15	35	50	1	8,954	204	1	0
MARYLAND	16	5	5	10	0	1,308	0	2	0
MASSACHUSETTS	11	1	2	3	0	488	0	1	0
MICHIGAN	39	123	42	165	2	29,056	160	18	0
MINNESOTA	48	137	39	176	2	47,880	28	51	0
MISSISSIPPI	80	103	107	210	11	59,624	23	5	0
MISSOURI	73	539	115	654	7	155,456	414	214	0
MONTANA	28	21	3	24	1	19,594	1	3	0
NEBRASKA	37	92	19	111	4	44,368	8	29	1
NEVADA	6	9	1	10	0	18,813	0	1	0
NEW HAMPSHIRE	10	0	0	0	0	0	0	0	0
NEW JERSEY	13	4	0	4	0	255	0	1	0
NEW MEXICO	24	14	28	42	2	93,085	2	9	0
NEW YORK	42	52	103	155	0	35,181	0	13	0
NORTH CAROLINA	85	67	98	165	5	24,945	26	6	0
NORTH DAKOTA	48	128	2	130	1	72,678	1	51	0
OHIO	35	25	32	57	2	8,584	3	0	0
OKLAHOMA	66	140	24	164	1	60,052	10	40	0
OREGON	19	29	35	64	0	18,465	0	28	0
PACIFIC TERRIT	5	0	0	0	0	0	0	0	0
PENNSYLVANIA	37	23	36	59	0	6,912	0	9	0
PUERTO RICO	22	17	0	17	1	1,711	1	2	0
RHODE ISLAND	3	1	0	1	0	66	3	1	0
SOUTH CAROLINA	44	19	17	36	12	7,419	187	1	0
SOUTH DAKOTA	41	164	21	185	1	102,548	31	56	0
TENNESSEE	77	193	50	243	11	38,137	39	12	0
TEXAS	123	49	2	51	0	22,163	0	14	0
UTAH	17	1	2	3	0	573	0	0	0
VERMONT	14	4	2	6	0	1,636	0	0	0
VIRGIN ISLANDS	2	0	1	1	4	110	845	0	0
VIRGINIA	49	14	13	27	0	2,328	0	3	0
WASHINGTON	20	33	21	54	0	13,914	0	11	0
WEST VIRGINIA	30	6	6	12	1	1,614	1	1	0
WISCONSIN	48	111	92	203	1	42,181	564	68	0
WYOMING	14	15	10	25	1	22,518	9	3	0
U.S. TOTALS	1,897	3,195	1,705	4,900	133	1,427,866	2,986	1,036	6

REPORT NO. 01

FARMER PROGRAM
PROPERTY ACQUIRED IN SEPTEMBER, 1986

STATE	ACQUIRED VOL. CONV. FARM	ACQUIRED FRCL FMHA FARM	ACQUIRED FRCL OTHER FARM	TOTAL FARM ACQUIRED	ACQUIRED VOL. CONV. NONFARM	ACQUIRED FRCL FMHA NONFARM	ACQUIRED FRCL OTHER NONFARM	TOTAL NONFARM ACQUIRED
ALABAMA	1	0	1	2	0	0	0	0
ALASKA	0	0	0	0	0	0	0	0
ARIZONA	0	0	0	0	0	0	0	0
ARKANSAS	4	1	1	6	0	0	0	0
CALIFORNIA	0	0	3	3	0	0	1	1
COLORADO	1	1	1	3	0	0	0	0
CONNECTICUT	0	0	0	0	0	0	0	0
DELAWARE	0	0	0	0	0	0	0	0
FLORIDA	0	0	0	0	0	0	0	0
GEORGIA	3	0	0	3	1	0	0	1
HAWAII	0	0	0	0	0	0	0	0
IDAHO	2	0	0	2	0	0	0	0
ILLINOIS	3	0	1	4	0	0	0	0
INDIANA	4	0	0	4	0	0	0	0
IOWA	2	0	1	3	0	0	0	0
KANSAS	4	1	3	8	0	0	0	0
KENTUCKY	8	0	1	9	0	0	0	0
LOUISIANA	0	0	0	0	0	0	0	0
MAINE	4	0	0	4	1	0	0	1
MARYLAND	0	0	1	1	0	0	0	0
MASSACHUSETTS	0	2	0	2	0	0	0	0
MICHIGAN	1	0	1	2	0	0	0	0
MINNESOTA	5	0	0	5	0	0	0	0
MISSISSIPPI	2	0	7	9	0	0	1	1
MISSOURI	20	7	8	35	1	0	0	1
MONTANA	1	1	0	2	0	0	0	0
NEBRASKA	0	0	1	1	0	0	0	0
NEVADA	0	2	0	2	0	0	0	0
NEW HAMPSHIRE	0	0	0	0	0	0	0	0
NEW JERSEY	0	0	0	0	0	0	0	0
NEW MEXICO	0	0	0	0	0	0	0	0
NEW YORK	0	0	1	1	0	0	0	0
NORTH CAROLINA	2	2	2	6	0	0	0	0
NORTH DAKOTA	1	1	3	5	0	0	0	0
OHIO	1	0	0	1	0	0	0	0
OKLAHOMA	2	0	1	3	0	0	0	0
OREGON	5	0	1	6	0	0	0	0
PACIFIC TERRIT	0	0	0	0	0	0	0	0
PENNSYLVANIA	6	0	0	6	0	0	0	0
PUERTO RICO	0	0	0	0	0	0	0	0
RHODE ISLAND	0	0	0	0	0	0	0	0
SOUTH CAROLINA	0	0	0	0	0	0	1	1
SOUTH DAKOTA	5	0	1	6	0	0	0	0
TENNESSEE	11	3	2	16	0	1	0	1
TEXAS	0	0	0	0	0	0	2	2
UTAH	0	0	0	0	0	0	0	0
VERMONT	0	0	1	1	0	0	0	0
VIRGIN ISLANDS	0	0	0	0	1	0	0	1
VIRGINIA	0	0	0	0	0	0	0	0
WASHINGTON	2	1	0	3	0	0	0	0
WEST VIRGINIA	1	1	0	2	0	0	0	0
WISCONSIN	2	2	1	5	0	0	0	0
WYOMING	0	0	0	0	0	0	0	0
U.S. TOTALS	103	25	43	171	4	1	5	10

REPORT NO. 01 INVENTORY PROPERTY AS OF SEPT. 1986 10/27/86 PAGE 1

FY TO DATE

STATE	ACQUIRED VOL. CONV. FARM	ACQUIRED FRCL FMHA FARM	ACQUIRED FRCL OTHER FARM	TOTAL FARM ACQUIRED	ACQUIRED VOL. CONV. NONFARM	ACQUIRED FRCL FMHA NONFARM	ACQUIRED FRCL OTHER NONFARM	TOTAL NONFARM ACQUIRED
ALABAMA	7	6	8	21	0	0	2	2
ALASKA	0	0	0	0	0	0	0	0
ARIZONA	7	2	0	9	1	2	0	3
ARKANSAS	38	8	24	70	5	9	10	24
CALIFORNIA	6	6	36	48	0	2	3	5
COLORADO	5	1	21	27	1	0	0	1
CONNECTICUT	0	1	0	1	0	0	0	0
DELAWARE	0	0	0	0	0	0	0	0
FLORIDA	9	4	15	28	0	2	2	4
GEORGIA	59	3	27	89	4	0	2	6
HAWAII	0	0	0	0	0	0	0	0
IDAHO	25	3	9	37	2	1	0	3
ILLINOIS	27	0	8	35	3	0	1	4
INDIANA	51	2	13	66	0	1	1	2
IOWA	69	8	14	91	2	0	0	2
KANSAS	53	4	39	96	0	0	0	0
KENTUCKY	49	0	11	60	2	0	0	2
LOUISIANA	13	0	17	30	1	1	2	4
MAINE	27	0	3	30	3	0	0	3
MARYLAND	3	1	3	7	0	0	0	0
MASSACHUSETTS	0	3	0	3	0	0	0	0
MICHIGAN	21	3	15	39	2	0	0	2
MINNESOTA	34	2	14	50	0	0	0	0
MISSISSIPPI	33	5	52	90	3	1	1	5
MISSOURI	113	28	80	221	2	1	2	5
MONTANA	4	2	3	9	0	0	0	0
NEBRASKA	12	2	39	53	2	1	0	3
NEVADA	1	2	3	6	0	0	0	0
NEW HAMPSHIRE	2	0	0	2	0	0	0	0
NEW JERSEY	1	0	2	3	0	0	0	0
NEW MEXICO	5	7	14	26	1	0	0	1
NEW YORK	26	2	30	58	1	0	0	1
NORTH CAROLINA	30	11	24	65	5	2	1	8
NORTH DAKOTA	23	2	31	56	0	0	0	0
OHIO	8	3	10	21	1	0	1	2
OKLAHOMA	16	9	39	64	1	1	0	2
OREGON	18	3	7	28	0	0	1	1
PACIFIC TERRIT	0	0	0	0	0	0	0	0
PENNSYLVANIA	38	2	6	46	0	0	0	0
PUERTO RICO	1	2	1	4	0	0	2	2
RHODE ISLAND	0	0	0	0	0	0	0	0
SOUTH CAROLINA	4	0	11	15	0	0	3	3
SOUTH DAKOTA	44	12	7	63	0	0	0	0
TENNESSEE	69	13	21	103	1	3	0	4
TEXAS	5	3	3	11	1	0	2	3
UTAH	2	0	1	3	0	0	0	0
VERMONT	6	1	2	9	0	0	0	0
VIRGIN ISLANDS	1	0	0	1	1	0	0	1
VIRGINIA	11	3	7	21	1	0	0	1
WASHINGTON	7	3	3	13	2	0	0	2
WEST VIRGINIA	7	1	0	8	2	0	0	2
WISCONSIN	8	4	29	41	1	0	0	1
WYOMING	4	2	8	14	0	0	0	0
U.S. TOTALS	1,001	179	711	1,891	51	27	36	114

PROPERTY SOLD IN SEPTEMBER, 1986

STATE	SOLD CASH FARM	SOLD ELIGIBLE TERMS FARM	SOLD INELIGIBLE TERMS FARM	TOTAL FARM SOLD	SOLD CASH NONFARM	SOLD ELIGIBLE TERMS NONFARM	SOLD INELIGIBLE TERMS NONFARM	TOTAL NONFARM SOLD
ALABAMA	0	0	0	0	0	0	0	0
ALASKA	0	0	0	0	0	0	0	0
ARIZONA	0	0	0	0	0	0	0	0
ARKANSAS	1	0	0	1	0	0	0	0
CALIFORNIA	1	0	0	1	2	0	0	2
COLORADO	1	0	0	1	0	0	0	0
CONNECTICUT	0	0	0	0	0	0	0	0
DELAWARE	0	0	0	0	0	0	0	0
FLORIDA	1	0	1	2	0	0	0	0
GEORGIA	6	1	0	7	0	0	0	0
HAWAII	0	0	0	0	0	0	0	0
IDAHO	0	0	0	0	0	0	0	0
ILLINOIS	0	0	0	0	0	0	0	0
INDIANA	1	4	0	5	0	0	0	0
IOWA	0	0	0	0	0	0	0	0
KANSAS	0	0	0	0	0	0	0	0
KENTUCKY	4	1	0	5	0	0	0	0
LOUISIANA	0	0	0	0	0	0	0	0
MAINE	0	0	0	0	0	0	0	0
MARYLAND	0	0	0	0	0	0	0	0
MASSACHUSETTS	0	0	0	0	0	0	0	0
MICHIGAN	0	0	0	0	0	0	0	0
MINNESOTA	0	0	0	0	0	0	0	0
MISSISSIPPI	0	0	0	0	0	0	0	0
MISSOURI	1	3	1	5	0	0	0	0
MONTANA	0	0	0	0	0	0	0	0
NEBRASKA	0	0	0	0	0	0	0	0
NEVADA	0	0	0	0	0	0	0	0
NEW HAMPSHIRE	0	0	0	0	0	0	0	0
NEW JERSEY	0	0	0	0	0	0	0	0
NEW MEXICO	0	0	0	0	0	0	0	0
NEW YORK	1	0	1	2	0	0	0	0
NORTH CAROLINA	2	0	0	2	0	0	0	0
NORTH DAKOTA	0	0	0	0	0	0	0	0
OHIO	3	0	0	3	0	0	0	0
OKLAHOMA	1	1	0	2	1	0	0	1
OREGON	0	1	1	2	0	0	0	0
PACIFIC TERRIT	0	0	0	0	0	0	0	0
PENNSYLVANIA	0	0	1	1	0	0	0	0
PUERTO RICO	0	0	0	0	0	0	0	0
RHODE ISLAND	0	0	0	0	0	0	0	0
SOUTH CAROLINA	2	0	2	4	0	2	1	3
SOUTH DAKOTA	0	0	0	0	0	0	0	0
TENNESSEE	4	0	0	4	0	0	0	0
TEXAS	0	0	0	0	0	0	0	0
UTAH	0	0	0	0	0	0	0	0
VERMONT	0	0	1	1	0	0	0	0
VIRGIN ISLANDS	0	0	0	0	0	0	0	0
VIRGINIA	0	0	0	0	0	0	0	0
WASHINGTON	0	0	0	0	0	0	0	0
WEST VIRGINIA	0	2	0	2	0	0	0	0
WISCONSIN	0	1	0	1	0	0	0	0
WYOMING	0	0	0	0	0	0	0	0
U.S. TOTALS	29	14	8	51	3	2	1	6

REPORT NO. 01 — INVENTORY PROPERTY AS OF SEPT. 1986 FY TO DATE — 10/27/86 PAGE 1

STATE	SOLD CASH FARM	SOLD ELIGIBLE TERMS FARM	SOLD INELIGIBLE TERMS FARM	TOTAL FARM SOLD	SOLD CASH NONFARM	SOLD ELIGIBLE TERMS NONFARM	SOLD INELIGIBLE TERMS NONFARM	TOTAL NONFARM SOLD
ALABAMA	5	7	7	19	2	1	1	4
ALASKA	0	0	0	0	0	0	0	0
ARIZONA	2	1	1	4	0	0	0	0
ARKANSAS	7	25	14	46	2	1	0	2
CALIFORNIA	4	4	5	13	11	0	4	15
COLORADO	4	1	2	7	0	0	2	2
CONNECTICUT	0	2	2	4	0	0	0	0
DELAWARE	0	0	0	0	0	0	0	0
FLORIDA	3	6	12	21	0	1	3	4
GEORGIA	36	11	31	78	4	0	4	8
HAWAII	0	0	0	0	0	0	0	0
IDAHO	2	3	5	10	2	0	0	2
ILLINOIS	1	1	0	2	4	0	0	4
INDIANA	18	25	22	65	3	0	0	3
IOWA	1	1	1	3	1	0	0	1
KANSAS	1	0	2	3	1	0	2	3
KENTUCKY	30	33	22	85	1	0	0	1
LOUISIANA	0	3	0	3	1	0	2	3
MAINE	8	12	5	25	1	0	0	1
MARYLAND	4	1	2	7	0	0	0	0
MASSACHUSETTS	0	0	1	1	0	0	0	0
MICHIGAN	7	6	5	18	0	2	0	2
MINNESOTA	0	0	1	1	0	0	0	0
MISSISSIPPI	14	5	11	30	4	2	1	7
MISSOURI	8	19	10	37	4	2	2	8
MONTANA	1	1	2	4	0	0	0	0
NEBRASKA	5	0	0	5	1	0	0	1
NEVADA	0	0	2	2	0	0	0	0
NEW HAMPSHIRE	1	0	0	1	0	0	0	0
NEW JERSEY	2	1	1	4	0	0	0	0
NEW MEXICO	0	4	3	7	0	0	0	0
NEW YORK	6	4	18	28	0	0	0	0
NORTH CAROLINA	30	13	24	67	2	3	7	13
NORTH DAKOTA	1	0	2	3	0	0	1	1
OHIO	22	4	7	33	3	1	0	4
OKLAHOMA	5	14	5	24	2	2	1	5
OREGON	2	4	12	18	0	0	1	1
PACIFIC TERRIT	0	0	0	0	0	0	0	0
PENNSYLVANIA	6	5	10	21	4	0	0	4
PUERTO RICO	0	3	0	3	0	0	0	0
RHODE ISLAND	0	0	0	0	0	0	0	0
SOUTH CAROLINA	8	3	5	16	1	2	1	4
SOUTH DAKOTA	0	2	0	2	0	0	0	0
TENNESSEE	20	22	18	60	4	3	0	7
TEXAS	2	3	1	6	3	1	0	4
UTAH	0	2	0	2	0	0	0	0
VERMONT	0	0	5	5	0	0	0	0
VIRGIN ISLANDS	0	0	0	0	0	0	0	0
VIRGINIA	6	7	1	14	0	0	0	0
WASHINGTON	0	5	6	11	0	0	0	0
WEST VIRGINIA	2	5	0	7	1	0	0	1
WISCONSIN	0	3	1	4	1	0	0	1
WYOMING	0	0	0	0	0	0	0	0
U.S. TOTALS	274	271	284	829	64	21	32	117

FARMER PROGRAM INVENTORY PROPERTY
PRESENT MARKET VALUE ($000) AS OF
September, 30, 1986

STATE	FARM*	NONFARM*
ALABAMA	1,950	144
ALASKA	0	0
ARIZONA	6,546	0
ARKANSAS	19,070	639
CALIFORNIA	56,206	1,064
COLORADO	24,266	34
CONNECTICUT	376	0
DELAWARE	140	0
FLORIDA	15,884	488
GEORGIA	32,516	108
HAWAII	0	0
IDAHO	32,060	54
ILLINOIS	18,728	86
INDIANA	20,964	10
IOWA	42,527	149
KANSAS	40,327	55
KENTUCKY	6,124	0
LOUISIANA	29,709	149
MAINE	3,340	55
MARYLAND	1,967	0
MASSACHUSETTS	1,882	0
MICHIGAN	26,528	72
MINNESOTA	30,972	25
MISSISSIPPI	39,028	551
MISSOURI	94,016	385
MONTANA	6,425	10
NEBRASKA	17,996	79
NEVADA	3,742	0
NEW HAMPSHIRE	0	0
NEW JERSEY	507	0
NEW MEXICO	11,158	130
NEW YORK	17,118	0
NORTH CAROLINA	30,417	363
NORTH DAKOTA	25,607	23
OHIO	7,425	151
OKLAHOMA	29,564	40
OREGON	15,284	0
PACIFIC TERRIT	0	0
PENNSYLVANIA	7,726	0
PUERTO RICO	2,308	24
RHODE ISLAND	500	0
SOUTH CAROLINA	4,764	434
SOUTH DAKOTA	24,197	9
TENNESSEE	23,713	412
TEXAS	12,363	0
UTAH	928	0
VERMONT	872	0
VIRGIN ISLANDS	10	94
VIRGINIA	2,520	0
WASHINGTON	13,947	0
WEST VIRGINIA	1,384	3
WISCONSIN	29,164	299
WYOMING	5,828	74
U.S. TOTALS	840,593	6,213

* Data adjusted due to rounding and reporting errors.

Question 15. The $490 million FmHA interest rate buydown program is now underway. It authorizes FmHA to buy down up to two percentage points of interest rates from guaranteed borrowers who are having trouble repaying their loans, as long as the private lender also matches that with an additional two points. How much of this money has been committed so far? What kinds of arrangements are typically being made under this program? How many farmers have been reached, and been saved from going out of business as a result?

Answer. Last year FmHA obligated about $9.6 million in interest buy-down commitments. A total of more than 1,600 additional farm loans were guaranteed under the program. Early data suggests commitments under the program are up this year. With the FmHA guarantee a private lender is able to stretch out repayment, at lower terms, for troubled farm borrowers. Without the buy-down assistance, many of the additional gurantees would not have sufficient cash flow and the banks would not have been able to stay with the assisted farm borrowers.

Question 16. The situation within the Farm Credit System remains grim. System losses are still mounting and there are indications that Congress will soon be asked to bail out the System by sinking several million dollars into it. Now, I realize that you have no direct authority over the System, but as the Federal Government's top agricultural official, you obviously have to keep careful track of these problems. Do you agree that in your capacity as Secretary of Agriculture, you have a responsibility to monitor the System and the impact of its problems on the U.S. farm sector?

Answer. We are very concerned with the problems and prospects for the Farm Credit System. The review and anlysis of programs and policies of the System are critical to our review of the agricultural credit situation and outlook. We recongnize the way in which debt problems of the System are managed will largely affect resolution of current farm sector financial problems, and we will continue to monitor the situation.

Question 17. How do USDA and the Farm Credit Administration routinely share information? Could you describe your cooperation arrangements with them?

Answer. The Department maintains regular high level contacts and regular briefings with board members of the Farm Credit Administration. The Department and the Farm Credit Administration will continue to work closely together in evaluating farm financial conditions and credit policies.

Question 18. How bad are the System's problems, and how much money will we have to appropriate to keep it solvent?

Answer. Both the System and its regulator are reviewing the situation and are providing more information on System losses. Various alternatives for federal assistance are under consideration, ranging from an infusion of funds to guarantees on System borrowing. The specific amount and type of assistance needed, if any, have not yet been determined.

Question 19. Have you considered how these funding problems might compete with other food and agriculture budget needs within your own department?

Answer. The budgetary treatment would vary, of course, with the type of assistance provided. We would expect, however, that the federal cost of any assistance would be scored against the agriculture function in the federal budget.

Question 20. Have the 1985 and 1986 farm credit amendments helped to ease the System's difficulties?

Answer. The loss sharing provisions authorized in 1985 and the accounting flexibility provided in 1986 were designed to allow the System and the Farm Credit Administration time to work together and develop policies to turn around losses and recover. These provisions have been of limited value, in part because of recent court action restructuring the loss sharing arrangements of the amendments.

MEAT AND POULTRY INSPECTION

Question 21. Can you explain the basic difference between the FDA food inspection system and USDA's meat and poultry inspection system? What are the relative costs between the two systems?

Answer. The laws governing the operations of the two food inspection agencies differ fundamentally. The meat and poultry inspection acts require the constant presence of federal inspectors during slaughter operations to examine each carcass for disease and other unwholesome conditions. In 1986 the inspection acts were amended to allow the Secretary to schedule inspection at processing plants less frequently than on the daily basis previously required. Implementation of these amendments will begin in January of 1988, but inspectors will still visit processing plants frequently and will continue to visit the majority of plants daily.

The Federal Food, Drug, and Cosmetic Act empowers FDA to review food manufacturers to the extent, and in a manner necessary, to assure plant adherence to mandatory good manufacturing practices. In addition, food coverage is only part of the inspection responsibilities of FDA, which also include medical devices and human and animal drugs.

The estimated fiscal 1987 budget for the Food Safety and Inspection Service is $374 million. For FDA, the estimated 1987 budget is $445.4 million, of which $121 million is for food safety.

Question 22. Are USDA inspectors present in meat and poultry slaughter facilities to insure safety and wholesomeness, or to assure that packers and processors adhere to some type of industry-set quality standard?

Answer. The principal mission of the USDA meat and poultry inspection program is to insure that meat and poultry products moving in commerce are wholesome, unadulterated, and properly labeled and packaged.

Question 23. In your view, what would be the effect of a user fee on small to moderate-sized meat or poultry packer/processors? Would the budget user fee accelerate the consolidation of the meat and poultry industries by forcing smaller operators out of business?

Answer. USDA, in framing a proposed user-fee system, has taken care that the cost of inspection be related to its value to the packer, not to the efficiency with which inspection may be conducted. To accomplish this fees would be assessed based on the number of birds or animals slaughtered. There has been a trend toward consolidation in the industry, but we do not expect the user fee proposal to have any effect on this trend.

Question 24. Mr. Secretary, you've had a great deal of experience with the meat industry. Can you explain some of the factors that have affected meat consumption over the past decade? Has price been a factor?

Answer. In general, we have seen a slight decline in the per-capita consumption of red-meat products in recent years, and a growing consumption of poultry products. I believe that the lower relative cost of poultry has been a factor in this trend, as well as the public's diet preferences. In years when meat prices have risen because of added producer costs, consumption has declined, but returned to the general trend line when prices fell.

Question 25. Would you say the consumer is more apt to turn to another source of protein if the cost of meat and poultry increases without additional value being added?

Answer. The answer to that question depends on the amount of the increase in the price of the product. Certainly if prices increased significantly, consumers would seek other, more economical sources of protein. However, if one is thinking of an increase of less than one cent per pound, as would be expected from this proposal for inspection user fees, I would not expect it to have any noticeable impact on consumption.

Question 26. Your budget documents imply that retail costs would rise only 3/10 of one percent. How is that figure derived? Isn't it true that in the real world the cost of that product would increase by substantially more than that percentage?

Answer. Our study found that a beef carcass, with an average dressed weight of 624 pounds, would cost about $3.24 to inspect, or about one-half cent per pound. The added cost for pork is about the same. Poultry is more expensive to inspect, since the carcasses are smaller. On the same basis as our red meat estimates, broiler inspection would cost almost eight-tenths of a cent per pound.

We are not able to predict how the market would respond to this increase in production costs. The cost could be absorbed by the slaughters and processors, passed back to the producers of the livestock, or passed on to the consumer.

Question 27. Do you know what percent of Americans consume meat and poultry products? Isn't it around 95 percent? In light of this high consumption, why is it not rational to continue to use general tax revenue to fund this program?

Answer. 95 percent is probably about right. Information available to us indicates that less than two percent of the population consider themselves to be vegetarians, although a recent Roper Organization poll reported that 18 percent of the population was interested in vegetarianism. I would assume that the difference between these two numbers represents people who are, to varying degrees, doing something to restrict their consumption of meat and poultry products.

Our position on this user fee proposal is that the consuming public is not the sole beneficiary. Meat and poultry producers, slaughterers, and processors also benefit from consumer confidence in their product—a confidence that is due in large part to the success of the meat and poultry inspection program. By charging a user fee at

some stage of the process we will let the market forces distribute that cost among the various beneficiaries.

While it is certainly true that virtually all Americans benefit from this program, they by no means all benefit equally. The user fee method of financing the service will distribute the costs in a manner that is more closely related to the benefits received.

RURAL ELECTRIFICATION

Question 28. Mr. Secretary, the net worth ratio of REA telephone borrowers is an average 28.5% as compared with the 42–44% net worth ratio the private market requires of phone systems. The average equity ratio of REA electric borrowers is 15.2% versus 39.7% for investor-owned utilites. In light of your proposal to shift REA lending to more expensive private sector sources, how will these borrowers find the financial ability to qualify for commercial loans?

Answer. Our proposal provides for a Federal guarantee of 70% of the principal amount of loans made by the private sector. Such a guarantee should enable REA borrowers with less favorable financial characteristics to qualify for private financing. Many REA borrowers are in such good financial health that they can obtain private financing without a Federal guarantee.

FOREST SERVICE

Question 29. Numerous studies, including recent reports by the General Accounting Office and the Office of Management and Budget, have concluded that the taxpayer is a net loser because of below-cost timber sales from our national forests. In fact, OMB calculates that below-cost timber sales cost the taxpayer $600 million in FY 1985—an expense that could reach $1 billion in FY 1988. In light of the fact that agriculture will benefit immeasurably from a reduced Federal deficit, would you or would you not support legislation to eliminate below-cost timber sales?

Answer. Below-cost timber sales are undertaken for a wide variety of purposes. In some cases they offset a portion of the costs of achieving other land management objectives such as manipulation of vegetation to increase certain types of wildlife habitat or to build a road needed for access for fire protection, recreation and other non-timber uses. In some cases, an uneconomic sale enables the Forest Service to reforest with more valuable species whose sale will be profitable in the future. In still other cases consideration must be given to the need for economic stability in timber dependent communities where the Forest Service dominates the local timber supply.

The statement that the timber program lost $600 million in FY 1985 should be put in perspective. By far the greatest cost component in that figure is the receipt-sharing payments made to the States for county roads and schools. The Administration has proposed for several years that these payments be substantially reduced. This could make many below-cost sales profitable, and is a better means of dealing with the situation. The Administration would not support legislation to eliminate below-cost sales.

AGRICULTURE TRADE

Question 30. Development groups have cautioned against aggressive promotion of U.S. agicultural exports because of the impact these might have on domestic food production in the Third World. Is there any evidence to suggest that these fears are being borne out?

Answer. We are not aware of any evidence that this is currently occurring in the countries benefiting from our food aid. Both of the US food aid programs, P.L. 480 Food for Peace and Section 416, do include a requirement that these programs not create significant disincentives to local agricultural producers. This is one of the aspects of food aid that is closely watched by our embassies in the concerned countries. We do take precautions so that this possible adverse consequence of food aid does not occur.

Question 31. Many experts hold that the major area for U.S. ag export expansion during the remainder of this century will be among developing countries. Currently almost one U.S. acre in five is producing for export. To what extent is current Third World indebtedness something about which U.S. interest should be concerned? To what extent do U.S. producers have an interest in encouraging Third World economic development to stimulate increased demand for U.S. exports?

Answer. Since we agree the large markets for the future exist in the Third World for U.S. farmers, the long-term establishment of viable, growing economies in these

countries is of great importance to U.S. agriculture. Proper management of debt is one aspect of this economic process. Support for economic growth and, therefore, higher incomes in the Third World would seem to be of great importance to any U.S. farmers who realize their future markets lie largely overseas. While there may be short-term situations where U.S. producers express concern about isolated or specific economic development activities in the agricultural sector of Third World countries, many of these producers do appreciate the need for economic growth in the longer term in these same countries.

Question 32. Frequently international ag policy options are framed in terms of the interest of U.S. farmers vs. the interests of Third World farmers. However, both groups of farmers are suffering from similar problems these days: low commodity prices, absence of adequate credit, and the demise of family farm-scale agriculture. Would it be possible to move toward a more rational international system of agricultural production and trade so that farmers in both Third World and developed countries were better rewarded for their labor while at the same time the world's hungry people were better fed?

Answer. While it may be true that all farmers share certain problems, the nature and degree of those problems will vary greatly, even among farmers in one country. This is clearly the case even within the United States. It does not seem practical to talk about such a global system if it is to be similar to a cartel. We do believe that a rationalized world-free trade system will benefit productive, competitive farmers in both the developed and the developing world.

Question 33. After adjusting for inflation, the value of agricultural imports to the U.S. has about doubled over the last 25 years. Why has this happened and how has it affected our American farmers? Also, how do we benefit from these imports?

Answer. The increase in U.S. agricultural imports since 1960 has not been unreasonably large. Between 1960 and 1986 real U.S. agricultural imports grew 45 percent but during the same time period the U.S. population increased 33 percent and real GNP increased 120 percent. U.S. agricultural imports as a percent of GNP actually fell by one-third during the period. It is true that real U.S. agricultural imports have been increasing since 1982, but in 1986 they were still 15 percent below the all-time high set in 1979. In addition, agricultural imports declined from 26 percent of total U.S. imports in FY 1960 to only 6 percent in FY 1986.

Many U.S. agricultural imports do not hurt U.S. farmers. Approximately 37 percent or $7.8 billion of U.S. agricultural imports in FY 1986 were in noncompetitive products such as coffee, cocoa, and bananas. The remaining 63 percent was mainly composed of products that are limited by import quotas such as cotton, sugar, and cheese. Most beef imports are subject to the meat import law. Many of these imports, including a number of fresh fruit and vegetable products, are often counter-seasonal to U.S. production so they are only semicompetitive.

Many observers are puzzled by U.S. imports of items in the "competitive" categories for which substantial domestic stocks have been accumulated. U.S. imports of grains and feeds, oilseeds and products, and tobacco are to particular concern. In FY 1986, these commodities accounted for a combined import total of only $1.9 billion or less than 10 percent of total U.S. agricultural imports. Most imports of grains and feed products, for example, are border trade with Canada.

The transportation, storage, handling, processing, and distribution of agricultural imports creates jobs in the U.S. economy and are particularly important in some communities.

Our imports provide LDC's with needed revenue in the form of U.S. dollars which in turn can be used to purchase U.S. products. About 60 percent of U.S. agricultural imports are from less developed countries (LDC's).

In fact, these countries have been an increasingly important market for U.S. agricultural exports. U.S. exports to the LDC's increased from 35 percent of total U.S. agricultural exports in FY 1980 to 41 percent in FY 1986.

The U.S. agricultural trade surplus remains a bright spot despite the overall U.S. trade deficit and is forecast to increase in FY 1987 to $6.0 billion.

Increasing U.S. agricultural import restrictions is considered risky due to the example it would set for foreign countries. Due to the great volume of U.S. agricultural exports, any moves by foreign countries to limit their imports would be very damaging to the American farmer.

U.S. Exports as a Share of U.S. Production, average 1983–85 (percent):

Wheat	59
Feed grains	29

Rice	54
Total grains	37
Soybeans	55
Cotton	55

Question 34. USDA puts a lot of energy and resources into tracking U.S. exports. It hasn't put as much into tracking U.S. imports. Why aren't we just as interested in imports, the jobs they create, the jobs they displace, and the value and quality they provide to consumers?

Answer. It is true that USDA devotes greater resources to gathering export-related intelligence than to import tracking. However, our emphasis on export tracking reflects our Congressionally mandated mission of expanding agricultural markets abroad in order to increase farm income at home. To do this, we employ an extensive global network of agricultural attachés and Washington-based analysts to identify new and growing markets as well as identify and negotiate the removal of foreign trade barriers that restrict our access to promising markets.

Nonetheless, USDA spends a significant amount of energy and resources tracking U.S. agricultural imports to ensure they do not disrupt U.S. farm programs. Beef, dairy products, sugar, peanuts, and cotton are subject to import controls. As such, these imports must be constantly monitored to ensure they do not exceed their prescribed limits. In addition, since coffee and cocoa are amongst our largest agricultural imports, USDA is constantly monitoring world production and trade, and its impact on prices paid by U.S. consumers.

Question 35. U.S. agricultural exports historically have been mainly bulk agricultural products, but the worldwide rate of growth for raw farm exports has been outpaced by value-added exports. What is being done to identify the food/agriculture niches for value-added products? What is USDA doing to identify the value-added products that have potential to be most marketable?

Answer. FAS' value-added product marketing programs support the sales efforts of individual exporters. Sales "niches" for value-added products (with brand identities) are usually the consequence of marketing programs designed to create such niches. Innovative and often proprietary processing and packaging techniques combined with effective market promotion are behind most successful branded product sales. Generic application of these techniques is complicated by several factors. Among these is the diversity of branded products, and the need for branded product exporters to do much of their own market research. FAS' marketing support in the high-value product area maximizes an individual firm's ability to explore their own markets. FAS for many years has taken the lead in sponsoring high visibility trade shows around the world and has developed a high-speed electronic system to put buyers and sellers together.

Question 36. In its new budget for fiscal 1988, does the Department intend to earmark any new monies for research towards developing new, high value products to sell overseas?

Answer. While FAS does not undertake product development, the new High Value Products Division has recently formed an analysis group that has begun to identify high-value product markets. It will also be developing a trade data system that will target products and countries that offer the best chance for U.S. products. A reporting network is also envisioned that will disseminate a wide variety of marketing information essential to the private sector's pursuit of marketing opportunities. This includes tariffs and non-tariff barriers, marketing and distribution channels, labelling and packaging requirements, food ingredient and additive regulations, etc.

Question 37. What has been the impact of the Export Enhancement Program to date? How effective has the program been in meeting the objectives of increasing agricultural exports and at the same time encourgaing the EC to negotiate with the U.S. on export subsidy issues?

Answer. The EEP has become an important tool for increasing U.S. agricultural exports. EEP initiatives are in effect in over 35 countries and for more than 10 commodities. The program is an interim measure designed to increase farm exports until the full effect of the Farm Security Act of 1985 can be realized.

We believe that exports are greater than they would have been without the program. We are confident that the EEP will help to convince the Europeans to negotiate with the United States on their export subsidies.

Question 38. What has been the impact of the 12 new agricultural export initiatives in the Food Security Act of 1985? Does the Foreign Agricultural Service have

adequate budget and staff resources to effectively implement these initiatives? Are they being adequately coordinated with ongoing food trade and aid efforts?

Answer. Collectively, these new programs have been very helpful in supporting our agricultural exports. Their different orientations allow them to complement each other and give us appropriate tools for various situations.

For the time being, the Foreign Agricultural Service has had to reduce some of the functions and services for which it had previously assumed responsibility in order to implement the new programs and functions assigned by the Food Security Act of 1985. In response to this situation, we have submitted a supplemental budget request for the Office of the General Sales Manager within FAS, which provides for $705,000 and 10 staff years to support farm bill related workload in FY 1987. This supplemental has also been incorporated into the FY 1988 budget request base for that office.

Question 39. Why are the Soviets not buying grain under the long-term agreement between the Soviet Union and United States—and did not buy any under the special subsidy offered in 1986? What is USDA doing to turn this situation around?

Answer. The USSR recently bought 1.5 million tons of U.S. corn for nearby delivery, and thus far there has been no shortfall on their corn purchase obligation under the Long Term Agreement. As for wheat, they did no meet the minimum 4 million ton obligation last year, and have bought none thus far this year. They claim this is because U.S. wheat has not been priced competitively with other origins. They claim that they did not use the special subsidy offered to them during August and September of 1986 because it came too late to be used for purchases for the 1985/86 agreement year. They have not asked for a renewal of the bonus program, and our impression is that they are hoping to get a concessional price.

NUTRITION

Question 40. The Department is proposing to eliminate the special per-meal reimbursement rates in the Summer Food Service Program for children. The proposal indicates that this will save the Federal Government $22.2 million. How many local food service programs will be affected by this cut, and how?

Answer. The lowering of the Summer Food Service Program meal and administrative payments to payments comparable to those in other Child Nutrition Programs will affect most sponsors. However, no participation or site losses are anticipated. A 1985 report on the program indicated that 95 percent of all meals served in the SFSP are served in either schools or by governmental agencies. Schools should be able to produce meals for the SFSP for about the same cost as during the school year. Most government agency sponsors are not new to the program and should be able to adjust their cost of operations.

Question 41. What is the amount of the proposed reduction in funds for the Commodity Supplemental Food Program, and how many participants or potential recipients will be affected?

Answer. The FY 1988 budget request for the Commodity Supplemental Food Program is $34.6 million, which is $6.9 million lower than the FY 1987 appropriation. A legislative proposal would reduce administrative funding for donated commodities from 15 percent to five percent. Savings from this proposal would be used to increase commodity purchases to support additional participation. The FY 1988 proposal will support an estimated participation of 182,000 eligible participants which is the current FY 1987 participation level. If unused FY 1987 funds are available, additional participation may be supported.

Question 42. A major study regarding the positive impact of the Women, Infants and Children (WIC) program on children's health was conducted several years ago. A follow-up study was planned by your Department, and proposals to conduct it were requested. However, I understand that the Department has cancelled this follow-up. Why was this test, designed to determine whether WIC benefits in pregnancy have a beneficial effect on the growth and development of pre-school children, been cancelled?

Answer. In 1983, the Department solicited offers from research groups to conduct a follow-up to the National WIC Evaluation. We planned to find children whose mothers participated in the study during pregnancy in 1982 and to reexamine their health and developmental status. However, we later encountered a number of obstacles which resulted in a staff evaluation that the follow-up was not feasible. We regretfully cancelled the planned study in 1984. Now, after almost three more years, it would be even more difficult to find enough of the original study participants from the National WIC Evaluation to yield sound data. Therefore, a follow-up of the original sample is not feasible.

Question 43. There is a serious problem with the Department's handling of food stamps with regard to farmers. Many farmers must borrow money for operating expenses to plant their crops, and usually use those crops for collateral against the loan. With lowered farm prices, many of these farmers have had difficulty in repaying these loans. The lender, which can be the Farmers Home Administration, can take the income from the sale of a farmer's crop to satisfy the loan obligation. The problem is that if the farm family must apply for food stamps because the lender has taken their crop income to cover the loan, the food stamp office treats that money as if it had actually been received by the family. Can you recommend a solution to this problem which now prevents these extremely poor farmers from being able to receive food stamps for their families?

Answer. Not at this time; calculating of a farmer's income is complex for food stamp program purposes. The staff at the Food and Nutrition Service is aware of and is looking into the issue raised in this question.

Question 44. USDA rules count the reimbursements foster families receive to care for foster children as regular household income when they apply for food stamps. What this means is that if the new foster parents become unemployed and need food stamps, they may be ineligible because of the reimbursements. This is inconsistent with Internal Revenue Service policy, which does not count these payments as income (26 U.S.C 131; Internal Revenue Code). A Federal magistrate in Burlington, Vermont, in fact, declared USDA's policy invalid. Have you decided the Department's position in light of these factors?

Answer. The treatment of payments to households for the care of foster children in determining a household's income for the Food Stamp Program is different from the Internal Revenue Service policy, because these programs serve different purposes. The Vermont court case regarding these payments for purpose of the Food Stamp Program is pending final Judicial action. Therefore, to date, the Department's position regarding such payments has not changed.

Question 45. Congress made several food stamp program changes through the Food Security Act of 1985, among them one provided that poor families receiving "emergency" assistance from States or localities could have that aid exempted from income for food stamp purposes. As of February 1987 USDA still had not implemented rules to implement this provision, which was designed to provide relief for such families (7 U.S.C. 2014(k)(2)(E)). When do you intend to issue these regulations?

Answer. A proposed rule on this matter will be submitted to the Office of Management and Budget in February.

CONSERVATION TECHNICAL ASSISTANCE

Question 46. Congress has emphasized on several occasions that the Department was not to reduce its other soil conservation activities and responsibilities while implementing the conservation provisions of the Food Security Act of 1985. However, the Department not only proposes the elimination of many traditional SCS and ASCS programs—it also intends to put all SCS field office activities not slated for elimination temporarily on hold until existing personnel complete the tasks required under the 1985 act. How much money and how many staff years, then, will the Department actually need to carry out Congress' wishes in implementing all 1985 act conservation activities while at the same time maintaining existing program levels?

Answer. As part of the Fiscal Year 1988 budget development process, SCS made a preliminary assessment of the staffing requirements related to this legislation, and they continue to refine these estimates as new information becomes available. The SCS assessment shows that the total gross requirement associated with the FSA could be as much as 4,000 staff years in the peak year of 1989. Considering the fact that SCS has about 3,900 county-level technical assistance staff years assigned to direct program operations, we are confident that this available staff can handle the job. There would of course have to be some temporary assignments of personnel to match the geographic distribution of the FSA workload. The current county technical assistance staff is already, in part, devoted to work that is similar to that needed to implement the FSA.

Moreover, we have reason to be encouraged that as a result of some innovative approaches the SCS has recently developed, there are significant opportunities to improve SCS efficiency in the development of conservation plans. For example, Illinois has developed a training package which coordinates Extension Service and SCS efforts in helping a group of 25–30 farmers design their conservation plans rather than the conventional one-on-one tutorial approach. All states are being presented with this package and will have an opportunity to adopt it. The Department of Edu-

cation is assisting in preparing materials to be used by Vo-Ag teachers with 200,000 students on projects designed to facilitate conservation compliance. The potential to use these materials by 4-H and Future Farmers of America are being explored also. Private land contractors have indicated an interest in applying conservation practices on a free basis. Some farmers may wish to avail themselves of the private sector alternative rather than relying on free assistance from the government.

USDA RESOURCE CONSERVATION PLAN

Question 47. USDA's last comprehensive resource conservation plan was due in 1980 but not submitted until two years after that. The most recent national assessment of soil and water resources was due this past December but was not completed. This assessment is needed to help prepare for the next plan, due December 31, 1987. In light of USDA's past record of missed deadlines, can you assure the Committee that this next plan will be on time?

Answer. We are in the process of developing the program "update" at the present time and hope to remain on schedule. The second RCA Appraisal, due this past December, has been completed in draft form and reviewed by USDA agencies. We are presently preparing a revised draft report for public review.

Question 48. Conservation interests criticized the last comprehensive plan because it was limited primarily to soil erosion but generally ignored many other resource problems, such as pesticide pollution and groundwater contamination. Will your next plan address these and other resource problems—besides soil erosion?

Answer. The National Program for Soil and Water Conservation "update" will address many resource problems and opportunities, besides soil erosion including—but not limited to—nonpoint sources of pollution and groundwater.

STATUS OF CONSERVATION PROGRAM EVALUATIONS

Question 49. I understand that the Department has been evaluating more than a dozen of the key SCS conservation programs but is currently behind schedule in those evaluations. When will each of these be completed? Will you provide the Committee with the results of these evaluations?

Answer. The National Conservation Program requires that each conservation program be evaluated. SCS National Instruction 240-301 established the procedures to be used in SCS to carry out program evaluations. The status of these evaluations is as follows:

Evaluations completed by SCS: Plant Material Centers, 6/84; Conservation Technical Assistance, 4/85; Resource Conservation and Development, 12/86.

Evaluations completed by other agencies: Inventory and Monitoring by National Academy of Sciences 5/86.

Evaluation in process: Watershed Project Operations, PL 566 scheduled for 3/87; National Cooperative Soil Survey, scheduled for 8/87; Great Plains Conservation Program, scheduled for 3/87.

Evaluations scheduled by beginning date: Resources Conservation Act, 5/87; Emergency Watershed Protection, 5/87; Colorado River Salinity Implementation 1/88; River Basin Surveys and Investigations, 9/88.

RURAL DEVELOPMENT

Question 50. Mr. Secretary, although the Rural Development Policy Act of 1980 directed you to submit a rural development strategy (or update) to Congress every year, I understand no such report was submitted in 1986 and that none will be submitted in 1987. Why is this strategy no longer being provided?

Answer. No report was submitted in 1986 due to the termination of the Office of Rural Development Policy, which had been providing staff support for preparation of the report. We hope to submit a report in 1987, however, based on the work of the President's Task Force on Rural Communities.

Question 51. "A Time to Choose: Summary Report on the Structure of Agriculture" published by the Department in January 1981, called on agricultural policymakers to consider how the overall organization of the farm sector was changing—and how these changes affected our rural areas. Given the dramatic changes in the agricultural economy—the farm credit crisis, major declines in farm prices, income, farmland values, and exports, and so forth—since this report was issued, don't you believe it is appropriate to prepare a sequel? If not, why not?

Answer. Yes, it is appropriate to prepare an update of our rural development strategy, and we will do so this year.

Question 52. More than 200,000 farms have closed from 1981 to 1986, more than 3½ times as many as in the previous 5 years. With prospects for significantly improved exports and incomes in the coming years relatively bleak, many more are likely to leave the sector. What is the Department's strategy for assisting these existing farmers, particularly those who are financially distressed, for developing off-farm income opportunities for rural citizens, and what programs and activities do you have underway or planned to implement that strategy?

Answer. Farmers Home Administration is making every effort possible to resolve the financial difficulties of their seriously delinquent borrowers. In some cases, the borrower may decide to exit farming and the agency can provide the borrower with a fresh start by wiping out old debts through voluntary conveyances and other servicing actions. The Extension Service also offers assistance to financially stressed farmers.

[Questions from Senator Heflin and Secretary Lyng's answers thereto:]

Mr. Secretary, it is my understanding that OMB Director, James Miller, testified before the Budget Committee and made the following statement:

"We want a system where the farmer gets the subsidy straight out and retires that extra land so that they don't produce more crops on it. And the effect of that will be slowly over time we will be able to have some attrition, as we've had historically in the agricultural community, of the less efficient farmers, and we should be able to solve the problem in four or five years. Nothing draconian is proposed, but I think we need to bite the bullet and do something of a substantial nature."

Question 1. Mr. Secretary, is this statement by Director Miller reflective of policy goals of USDA?

Answer. I believe Mr. Miller was referring to a long-term policy objective that would separate program payments from production incentives and restore the marketplace as the major determinant in production decisions. Current levels of price supports and requirements to produce the program crop in order to receive program benefits lead to inefficient resource allocations by producers, which increases the cost of production and makes the U.S. less competitive in world markets.

In the longer term, we believe acreage reduction programs should be phased out so that efficient U.S. producers are not restricted in producing for the world market. At the same time, we believe some minimum level of support in the form of a loan rate that reflects changes in producer price movements is needed due to the inherent risk of farming. Until then, income support in the form of target prices is needed to help farmers through this period of record surpluses and depressed prices.

However, the record level of program outlays of recent years cannot be maintained if budget deficit goals are to be met. That is why we have proposed to reduce target prices by 10 percent per year over the 1988–90 period. Reducing the deficit will help farmers by further reducing interest rates and, consequently, improving exchange rates, which will lead to reduced production costs (interest) and greater exports.

Question 2. It is evident that we have had a great deal of attrition over the past 4 or 5 years. Do you think attrition will solve our farm problem in 4 or 5 years?

Answer. There has always been a certain amount of attrition in farming, the same as with other businesses. From 1985 to 1986, the number of farms declined 2.7 percent, well below the 3 to 4 percent declines throughout the 1950's and early 1960's but above the 1–2 percent rate during the 1970's and early 1980's. Overall, this attrition has helped to increase the efficiency of farming—the rate of productivity of the farm sector has greatly outpaced that of the nonfarm sector over recent history. As we adopt policies that enhance the competitiveness of U.S. agriculture, some attrition can be expected. In the longer term, the results will be a healthier agriculture. Policies that help cut the link between farm payments and production and reduce the intervention of the Government in the marketplace will ultimately lead to a more efficient, competitive, and healthier agriculture. It is expected that much could be done to obtain these goals over the next 4 to 5 years.

Mr. Secretary, as you are well aware, rural America has certainly not experienced any economic growth in the past several years. It is disturbing to me to note that many of the programs designed to assist the rural areas of our country have again be targeted for elimination or tremendous cuts.

The rural electrification proposal is one area. I note that the rural electrification and telephone loan program will be shifted to the private sector beginning in 1988. This supposedly will be accomplished by replacing direct government loans with loans made by the private sector and guaranteed by REA.

Question 3. It is interesting to note, that we in Congress fought last year to allow rural electric co-ops to prepay their existing loans and take advantage of lower interest rates in the private sector. However, the Administration, and the Department of Agriculture strongly oppose this. Do you still oppose it?

Answer. We support the concept of allowing Rural Electric co-ops to prepay their existing loans by refinancing them with private credit. Our legislative proposal for REA will include a provision to extend existing authorities to allow such prepayment.

Question 4. I think Senator Exon, a member of the Budget Committee made a clear point with his questining of OMB Director Miller. It appears that this concept of prepaying loans with penalty, has been pirated and used in another area such as foreign military sales loans. Do you think it is consistent for the Administration to agree to give the same benefit to foreign governments on arms sales, but deny it to rural Americans that are on the verge of economic collapse?

Answer. Existing legislation provides for the prepayment of REA loans without penalty. Our legislative proposal would continue to allow prepayment without penalty, but it would require that borrowers who take advantage of this provision not return to REA for additional credit.

Question 5. The existing housing and community development loans of the Farmers Home Administration, I see will also be terminated in 1988. This program, as I understand it, will be replaced with a housing voucher system in rural areas similar to that of HUD. Mr. Secretary, I think the original intent of those programs with FmHA was to allow rural citizens the opportunity to build or at least purchase their own home. This of course, generates some construction jobs, brings in additional county and state tax revenues and so forth. Do you think this voucher system carries on the original intent of these housing and community development programs?

Answer. The voucher system is designed to reach lower income families, many of whom cannot afford to own their own homes. With the assistance of the voucher payments, these families can obtain decent housing of their choosing. In other words, the system is targeted toward those in greatest need. Thus, it would be more effective than FmHA's existing homeownership program and it would reduce the level of Federal intervention into the housing market.

Question 6. Mr. Secretary, as I reviewed the highlights of the budget proposal from USDA, I noticed that the cost share program are reduced by some 44 percent ($370 million) and provides minimal funding for other specific programs. The budget, as I understand it, also proposes a rescission of $297 million in FY 87 funds. I am told that this reduction could lead to a 26 percent reduction in Soil Conservation Service personnel. Mr. Secretary, if these proposals are enacted, will the Soil Conservation Service have the adequate staffing to implement the conservation provisions in the 1985 Farm Bill?

Answer. Yes, we think the staffing in the SCS budget will be adequate to implement the conservation provisions of the 1985 Farm Bill. We have requested $314.2 million for technical assistance at about the staffing level provided for in FY 1987. There is an increase of $1.7 million for defraying costs for details of employees from one location to another to respond to workload demand. There also is a $6.1 million increase for soil surveys to further accelerate the completion of mapping materials that are vital to implement these provisions.

[Question submitted by Senator Lugar and Secretary Lyng's answer thereto:]

Question. The Department of Agriculture Science and Education agencies FY 1988 Executive Budget request includes some $778 million to conduct research. Unlike most other Federal research agencies, no direct support of related higher education programs is requested to attract and educate quality scientists. Can we realistically expect adequate returns from a Federal investment in food and agricultural research when the USDA also forecasts a 16 percent annual shortfall of food and agricultural scientists and engineers through 1990?

Answer. Due to the need to reduce government spending, funds targeted specifically for the training of scientists are not proposed in fiscal year 1988. Support for the development of agricultural expertise will be provided indirectly through the Competitive Research Grants program and through the provisions of the Hatch Act and related formula base funded programs.

APPENDIX

STATEMENT OF HON. MITCH MCCONNELL, A U.S. SENATOR FROM KENTUCKY

Mr. Chairman: This is a critical era in the history of American agriculture and the decisions we make on budget issues will have a profound effect on future rural policy directions.

Mr. Secretary, I admire your courage in coming to the Hill to defend this budget proposal. I think we can all agree that budget constraints will require that priorities for government spending must be made, but I think most of us will probably also agree that we think some of your priorities are misplaced.

I must say, that the budget proposal you're here to discuss, contains some priorities that I imagine even you would find hard to swallow. Your aggressive efforts last year to rid CCC of surplus, poor quality corn through a program of bonus sales to ethanol producing facilities was a masterful stroke of the kind envisioned by the members of this Committee when the 1985 Farm Bill was written. However, we know of your personal frustrations with the Office of Management and Budget who quite forcefully squashed this outstanding program. I hope we can count on you to use the tools which are in place from the 1985 Farm Bill to improve agriculture, because what I see in this budget sure won't.

We'll have further opportunities to debate the merits of the Administration's Farm Bill proposal. Suffice it to say, though, that this Senator sees little political mandate to lower farm income, which apparently is the aim of this proposal. The nation's net farm income in 1986 is estimated to be around $26.5 billion; with over $24 billion in farm program payments, it doesn't take a genius to see how important income support is to the economic fiber of rural America. It is totally unrealistic to advocate a policy that will lower farm income in the short term. I urge the Secretary to continue to develop creative farm programs which may lead us out of this morass of farm policy, but I must re-emphasize how important it is that we protect America's farmers during this agricultural restructuring.

I also must comment on the proposed budget figures for the Department's soil conservation efforts. It is my understanding that adequate funding is available to meet Congressionally mandated soil conservation efforts. It is also my understanding, however, that there is a shortage of administrative money within the management structure of the Soil Conservation Service to do the things which would be necessary to implement the provisions of the conservation title of the Farm Bill. I believe it is a little unreasonable to expect "private sources" to pay the costs of soil conservation, especially when you look at the track record of previous "private source" conservation efforts. I submit that we wouldn't have needed the sodbuster and Conservation Reserve Program provisions of the Farm Bill if farmers were in a better position to implement conservation patterns without a strict government mandate.

Finally, it is clear to me that use of the Export Enhancement Program and other intitiatives intended to improve our marketing opportunities in the world agriclultural trade have been seriously underutilized. We must be more aggressive in the world market if we are to have any success in recapturing lost agricutural markets. The recent USDA announcement of a 1 million bushel wheat offer to China under the EEP was welcome news.

In this era of severe budget constraints, the Congress has deemed it a matter of sound policy to spend the money necessary to keep America's farmers competitive in world markets. It is a far wiser investment of the nations capital to fight for our farmers in the international trade arena than it is to pay the cost of storing surplus grain in this country. Mr. Secretary, I urge you to use every tool at your disposal to work off the tremendous surplus of grain which hangs like a dark cloud over grain markets. Most of the tools you need are already in place.

Mr. Chairman, I know I've already taken up too much of the Committee's time. I appreciate the indulgence of the members and I look forward to hearing from Dick Lyng. Thank you Mr. Chairman.

STATEMENT OF HON. PETE WILSON, A U.S. SENATOR FROM CALIFORNIA

Mr. Secretary, Mr. Chairman and my fellow colleagues, let me preface my remarks by simply saying that I am glad that we are holding this hearing this morning to discuss the administration's fiscal year 1988 funding plan for the Department of Agriculture. While I have yet to have the opportunity to review the President's budget proposal in any great depth, I am encouraged that the package does meet the Gramm-Rudman-Hollings deficit reduction target of $108 billion.

As is the case during any budget process, a decision must be reached as to what the funding priorities will be. I would commend Secretary Lyng for his efforts to develop a budget plan for the Department of Agriculture which embodies the goals and objectives that we both share for American agriculture. However, there is one area of the Department's budget proposal with which I have some serious concerns. I am referring to the proposed reduction in funding for the Targeted Export Assistance Program.

By way of background, Mr. Chairman, during the debate on the 1985 farm bill, I authored a provision of the farm legislation's trade title that authorized the U.S. Department of Agriculture to distribute $1 billion of funding over a 5-year period to various industries to expand their export sales. This funding, known as "targeted export assistance [TEA]," provides market development assistance to commodities which have lost export sales due to unfair trading practices and illegal subsidies of our trading partners.

Although it would be better off if we did not have to resort to these types of federally-funded market development programs, I firmly believe that until other countries are willing to adopt fair trade policies, our Government is justified in providing assistance to our producers who have lost markets due to illegal trade practices of foreign competitors. The TEA Program puts our trading partners on notice that the U.S. Government is prepared to defend the world wide markets of our Nation's farmers.

During fiscal year 1986, the Department of Agriculture approved $110 million to various industries across the Nation, and the success of the TEA Program has been phenomenal. For example, the canned peach industry exported 560,000 cases of peaches, valued at $10.4 million between 1984-85. Without TEA funds, the industry anticipated a loss of $2.8 million or roughly a 20-percent reduction in exports to 450,000 cases—the lowest level in 25 years. However, with $2.5 million in targeted export assistance, the canned peach industry was able to increase exports in 1985-86 by 23 percent, resulting in $11.7 million in sales. In Japan alone, the industry increased exports by some 200,000 cases.

It is understandable that I was shocked, indeed dumfounded, to learn that the administration has recommended a $30 million reduction in TEA funds for fiscal year 1988. This is especially disturbing after listening to the President's State of the Union Address, and today to the Secretary's opening remarks, in which the importance of expanding our Nation's export markets abroad was stressed. Clearly, the Targeted Export Assistance Program has been a proven success in achieving this goal. Accordingly, I will be asking members of this committee to join me in my efforts to ensure that TEA funding is restored, if not increased over current spending levels.

On another matter, the Secretary mentioned various reforms that the Department will be proposing regarding our Nation's agricultural policy. I, too, believe that changes in our present farm policy are necessary. I am truly concerned about the future, competitive vitality of American agriculture. As we all know, for much of the past decade, our Nation's farmers have been plagued with a number of problems. We sought to improve this situation through the enactment of the 1985 farm bill. For many of the provisions of this law, which I have characterized as pluses in previous remarks before this committee, there were unfortunately offsetting minuses of significant dimensions and serious consequences, which I am sure that my colleagues on this committee would agree that we must correct this year.

Although we may agree that further change in our Nation's agricultural policy is necessary, we have yet to achieve general agreement on the approach that we should take. At the conclusion of the debate. I am hopeful that USDA and members of this committee will adopt a more market-oriented approach to our farm problems. The artificially high rates of recent years, which were set by statutory formu-

las instead of marketplace realities, have led to predictable price undercutting by our international competitors, resulting in the loss of foreign markets and the costly expansion of Government-held inventories.

In closing, let me thank the Secretary for appearing before this committee to brief us on the Department's fiscal year 1988 funding proposal. I look forward to working with him again this Congress to ensure the vitality of American Agriculture.

70-695 (72)